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Foreign Scholars and Educational and Cultural Exchange Visitors

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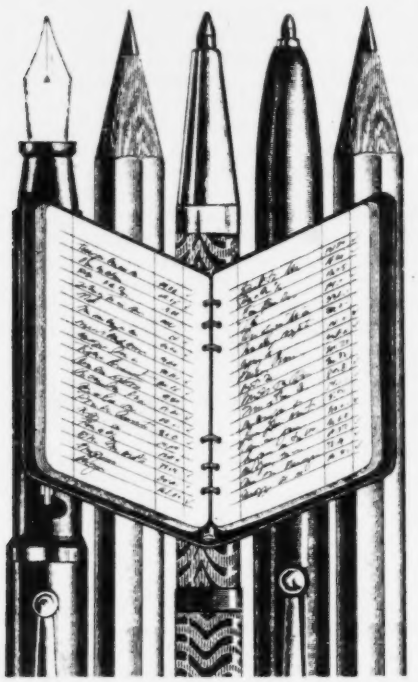
For use in preparing
1980 Returns



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Introduction 1788

Many aliens are in the United States as students, trainees, teachers, professors, research workers, and as participants in cultural and educational exchange programs. The manner in which they are taxed depends upon whether they are nonresident aliens or resident aliens.

Aliens should first determine whether they are resident aliens or nonresident aliens. This status will indicate the kind of income tax return to file, income to report, and deductions to claim.

Resident aliens are, in general, taxed in the same manner as citizens of the United States. Generally, nonresident aliens are subject to U.S. income tax only on income from sources within the United States.

As the title of this publication suggests, it is directed mainly to those alien individuals who are ***nonimmigrants*** and who are temporarily in the United States as ***students*** under section 101(a)(15)(F) of the Immigration and Nationality Act ("F" visas); as ***educational and cultural exchange visitors*** under section 101(a)(15)(J) of the Immigration and Nationality Act ("J" visas); as ***workers of distinguished merit, temporary workers, or trainees*** under section 101(a)(15)(H) of the Immigration and Nationality Act ("H" visas); or as ***managers, executives, or persons of special knowledge who meet certain conditions*** under section 101(a)(15)(L) of the Immigration and Nationality Act ("L" visa).

The "J" visa group includes nonresident alien individuals admitted to the United States as ***exchange visitors*** under the Mutual Educational and Cultural Exchange Act of 1961. Particular emphasis is given to income received by such individuals that is exempt from U.S. income tax even though this income is received from sources within the United States.

This publication also discusses the withholding of U.S. income and social security taxes from amounts paid to these nonresident aliens.

An Appendix is included at the end of the publication. Sections I through V summarize, in a question-and-answer format, much of the information given previously in the main part of the publication. Section VI answers questions dealing with recipients from tax treaty countries.

Some of the individual states of the United States tax the incomes of their residents. Therefore, you should consult the tax authorities of the state in which you are located to determine whether that state taxes the incomes of individuals and, if so, whether the tax applies to any of your income.

Each person who files a federal income tax return is required to include a taxpayer identification number. Therefore, it is important that once you begin earning income from which federal tax is withheld, you apply for this number, which is also your social security number. Your application is made on Form SS-5, which may be obtained at Internal Revenue or Social Security offices. After carefully completing the application by providing all the information requested, it should be filed according to the instructions on the form. Shortly thereafter you will receive your identification number.

Nonresident Alien Defined

Because of your status as an alien you are ***first presumed*** to be a nonresident alien. However, you may be treated as a resident alien because of subsequent actions, declarations, or the duration of your stay in this country.

Thus, even though you entered the United States as a student under section 101(a)(15)(F) of the Immigration and Nationality Act, as an exchange visitor under section 101(a)(15)(J) of the Act, as a worker or trainee under section 101(a)(15)(H) of the Act, or as a manager, executive, or person of special knowledge who meets certain conditions under section 101(a)(15)(L) of the Act, you may qualify as a resident alien for tax purposes if you meet the requirements for that status, as discussed here.

If you are present in the United States as a transient or sojourner, you are a nonresident alien. Whether you are a transient or sojourner is determined by your intentions concerning the length and nature of your stay in the United States.

If you came to the United States for a definite purpose that may be promptly accomplished, you are a transient. However, a mere floating intention, which is not definite as to time, to return to your domicile abroad does not make you a transient.

If you live in the United States and have no definite intention as to your stay, you are a ***resident alien.*** If your purpose in coming to the United States is such that its accomplishment may require an extended stay, and you temporarily make your home in this country, you are a resident alien even though your intention at all times is to return to your domicile abroad when you have accomplished or abandoned that purpose. Also, if you violate the conditions of your temporary admission under the immigration laws, such as by accepting employment not authorized under the terms of your admission, or if you remain in the United States longer than authorized by that Service, you may be considered a resident alien for income tax purposes.

The fact that you entered the United States on a visitor's permit is not necessarily indicative of your intention if you were unable to obtain any other type of visa.

Generally, the filing of an application to acquire status as a lawful permanent resident under the immigration laws makes you classifiable as a resident alien. Similar acts and statements showing you have a definite intention to acquire residence in the United States will also result in your being classified a resident alien.

If you leave the United States during the tax year, your status is determined on the last day of your taxable period.

Example 1. A foreign student with an "F" or "J" visa studying in the United States for a degree that requires a continuous stay in the United States for more than 2 years is treated for U.S. income tax purposes as a resident alien during that period.

Example 2. Edward Green is a foreign student in the United States on an "F" visa. He is studying for a degree at a university in the United States, occupies a room in one of the college houses during the school term, and returns to his home country during the summer vacation. He is considered a nonresident alien because he periodically returns to his home abroad from which he is temporarily absent while attending school in the United States.

Example 3. Mary Blanc is an alien trainee in the United States on an "H" visa. She is receiving training under a program conducted by a U.S. corporation that requires residence in the United States for approximately 8 months. Mary is classified as a nonresident alien as long as she remains a trainee during that 8-month period.

Income From Sources in the United States

Nonresident aliens are required to pay U.S. income tax only on income from sources in the United States. To determine whether wages for services are from sources in the United States, the place where the services are performed, and not where the wages are paid, is the controlling factor. Thus, wages for services performed in the United States are income from sources in the United States even though paid by an employer located in a foreign country.

However, if wages for services performed by a nonresident alien while temporarily in the United States for a total of not more than 90 days during the tax year do not exceed a total of $3,000, the wages are not considered income from sources in the United States. This exception applies only if the wages are for services performed as an employee of, or under contract with:

1) A nonresident alien, a foreign partnership, or a foreign corporation not engaged in trade or business within the United States, or
2) A domestic corporation, domestic partnership, or a U.S. citizen or resident, if the services are performed for an office or place of business maintained in a foreign country or in a U.S. possession by that corporation, partnership, or individual.

Example. Stephen Jones is a nonresident alien employee of a foreign branch of a domestic corporation. He enters the United States as a trainee under section 101(a)(15)(H) of the Immigration and Nationality Act to study the business field in which his employer is engaged. While Stephen is in the United States his salary is paid by the foreign branch.

The salary is pay for personal services performed in the United States and is subject to U.S. income tax and the withholding of tax. See *Withholding of Tax*, discussed later. The result is the same even though the salary is paid to Stephen's dependents abroad and not sent to the United States. If, however, Stephen is temporarily present in the United States for not more than a total of 90 days during the tax year and his salary for that time does not total more than $3,000, the salary is exempt from tax since it is not considered income from sources in the United States.

For a further discussion of U.S. income tax laws that apply to the ***taxable*** income of both resident and nonresident aliens, including individuals covered in this publication, see Publication 519, *U.S. Tax Guide for Aliens*. See also Parts III and IV in the appendix of this publication.

Scholarships and Fellowship Grants

Scholarships and fellowship grants are exempt from U.S. income tax, subject to certain limits, if they meet the requirements that follow. A grant that does not qualify as a scholarship or a fellowship grant is subject to tax unless it is exempt under a treaty or agreement affecting its tax status.

Students and apprentices from many countries having tax treaties with the United States are exempt from U.S. income tax on payments from abroad for their maintenance and studies if they are in the United States to study or acquire business experience. Thus, even though they do not qualify for exemption under the rules discussed at this point, they may qualify under alternative treaty rules. To determine whether there is such a treaty between a particular country and the United States, see *Students and Apprentices*, discussed later under the heading *Tax Exemption Provided by Treaty or Convention*.

If an amount you receive while in the United States does not qualify as a scholarship or a fellowship grant, it is still possible that it may be treated as compensation and exempted by treaty. (See *Personal Services*, discussed later in this publication.)

Primarily for Grantor's Benefit

The amounts paid to aid you in pursuing your studies or research are not excludable from your income if the studies or research are primarily for the benefit of the grantor. However, if the primary purpose is to further your education and training, and the amounts do not represent pay for services, neither the fact that you are required to furnish reports of your progress to the grantor, nor that the results of your studies or research may be of some incidental benefit to the grantor, by itself, means that the amounts are not scholarships or fellowships.

Pay for Services

Pay for past, present, or future services performed by you is not excludable. Amounts you receive for services performed on a research project that a university contracted to perform for a consideration are pay regardless of how the consideration is designated. These amounts are not converted to scholarships or fellowship grants merely because the research can be used for credits toward degrees or may be required to get a degree. Normally, if the services are required of all candidates for a particular degree (whether or not recipients of scholarships or fellowship grants) as a condition to receiving the degree, the pay for the services may be excluded.

Tax Exempt Scholarship

In general, a tax exempt scholarship is an amount paid or allowed to, or for the benefit of, an undergraduate or graduate student to aid in the pursuit of studies at an educational organization. It includes room, board, laundry, similar services and accommodations, tuition, and other fees furnished or paid to a student to aid in pursuing the studies. It also includes any family allowance received as part of a scholarship.

An educational organization is a school that normally maintains a regular faculty and curriculum and normally has a regularly organized body of pupils or students in attendance at the place where its educational activities are regularly carried on. It includes primary and secondary schools, colleges, universities, normal schools, technical schools, mechanical schools, and similar organizations but does not include noneducational organizations and on-the-job training, correspondence schools, and night schools.

Graduate student teaching assistantships. Generally, such teaching assistantships are includible in income. To be excludable from income, the graduate student teaching assistantship must meet the general requirements of a scholarship or a fellowship grant. (See *Primarily for Grantor's Benefit*, discussed previously.)

It does not matter that the teaching requirement is imposed on all candidates for the graduate degree since the exclusion from income does not apply unless it is ***first*** established that a scholarship or a fellowship grant ***exists.***

Tax Exempt Fellowship

Generally, a tax exempt fellowship means an amount paid or allowed to, or for the benefit of, an individual to aid in the pursuit of study or research, neither of which need be carried on at an educational organization. It includes the amounts previously mentioned under *Tax Exempt Scholarship*, furnished or paid to an individual to aid in the pursuit of study or research. It also includes any family allowance received as part of a fellowship grant.

North Atlantic Treaty Organization (NATO) postdoctoral fellowships in science are fellowships that are exempt from U.S. income tax subject to the limits on the amount excludable from income as discussed under *If you are not a candidate for a degree,* which follows.

Amount Excluded From Income

The extent to which an amount you receive as a scholarship or fellowship grant is excluded from income depends upon whether you are a candidate for a degree.

A candidate for a degree is an undergraduate or graduate who is pursuing studies or conducting research to meet the requirements for an academic or professional degree conferred by a college or university. The study or research need not be done at an educational organization that confers such degrees if it is done to meet the requirements for a degree from a college or university that does confer such degrees. A student who is given a scholarship for study at a secondary school or other educational organization is considered to be a candidate for a degree.

If you are a candidate for a degree, you may exclude from income any amount received as a scholarship or a fellowship grant, regardless of whether the source of the income is from in or outside the United States, unless a portion represents pay for services. The portion that represents pay for teaching, research, or other part-time employment required as a condition to receiving the grant must be included in income unless all candidates for the degree (regardless of whether recipients of a scholarship or fellowship) are required to perform similar services as a condition to receiving the degree. The amount to be included in income as pay for those services is based on the rate of pay for similar services performed by an individual who does not have a scholarship or a fellowship grant.

If you are not a candidate for a degree, the entire amount you receive as a scholarship or a fellowship grant is included in income unless the grant is made by:

1) A foreign government,
2) An international organization or a binational or multinational educational and cultural foundation or commission created or continued under the Mutual Educational and Cultural Exchange Act of 1961,
3) A nonprofit organization that is exempt from U.S. income tax and is operated exclusively for religious, charitable, scientific, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involved the provision of athletic facilities or equipment), or testing for public safety, or for the prevention of cruelty to children or animals, or
4) The United States or one of its agencies, a state or possession of the United States, or any of their political subdivisions or the District of Columbia.

Limit. Even though you receive a scholarship or a fellowship grant from one of the sources just mentioned, there is a limit on the amount you may exclude from income. You may exclude each year not more than $300 times the number of months for which you receive amounts under the grant during the year. This limit applies even though the amount received under a grant exceeds $300 a month only because you have dependents. You are allowed this exclusion for a lifetime total of 36 months regardless of the number of months for which you may receive a scholarship or a fellowship grant. It does not matter that the amount received under a grant was less than $300 in some months.

Figuring the number of months a scholarship or a fellowship grant is received is based on whole calendar months. A period of 15 days or more is considered a whole calendar month and a period of 14 days or less is disregarded.

Example 1. Mary Williams is a citizen and resident of a foreign country and is not a candidate for a degree. She received a scholarship from a nonprofit organization in the United States, which began on September 8, 1979, and ended on June 5, 1980. The grant is considered to be for a period of 9 months (4 months in 1979 and 5 months in 1980). September 1979 is counted as a full month and June 1980 is disregarded. If the grant expired on June 27, it would be considered to be for a period of 10 months.

Example 2. Igor Bell, a citizen and resident of a foreign country, received a fellowship grant from a university located in the United States to conduct independent research at that university. He is not a candidate for a degree. The grant is payable at the rate of $500 a month for 4 years. He may exclude $300 a month from income for the first 36 months he receives the grant, but must include in income the full $500 a month for the last 12 months.

Example 3. George Rice, a citizen and resident of a foreign country, was awarded a fellowship in 1979 at a university located in the United States to pursue specified studies at that university. He was not a candidate for a degree. The grant was $4,500 and the period of the grant was 9 months from September 1, 1979, to May 31, 1980. He received the entire $4,500 on September 1, 1979. Since the amount received in 1979 was for the full term of the grant (9 months), he may exclude $2,700 ($300 × 9) from his income for tax year 1979, but must include the remaining $1,800 in income in 1979.

Example 4. Mildred Amber, a citizen and resident of a foreign country, received a fellowship grant from a university located in the United States to pursue specified studies. She was not a candidate for a degree. Included in the grant were:

1) A basic stipend,
2) An allowance to cover the traveling expenses (including meals and lodging while traveling) from her home in the foreign country to the university in the United States, and
3) A monthly allowance for anticipated expenses for transportation, meals, and lodging while attending the university.

The basic stipend is a fellowship grant excludable from income, subject to the $300 monthly limit discussed previously.

The allowance to cover traveling expenses is excludable from income to the extent it is actually spent for that purpose.

The allowance to cover anticipated expenses for transportation, meals, and lodging while attending the university is considered a part of the basic stipend since it was intended primarily to aid in the pursuit of the studies or research. This allowance, when added to the basic stipend, is excludable from income, subject to the $300 a month limit.

Related Expenses

Allowances received that are related to a scholarship or a fellowship grant, such as travel (including meals and lodging, other than amounts which are lavish or extravagant under the circumstances, while traveling, and an allowance for travel of the individual's family), research, clerical help, or equipment, may be excluded from income under certain conditions. The allowance must be specifically designated to cover such expenses and must be spent during the term of the grant, or within a reasonable time before or afterwards, to carry out the purpose of the scholarship or fellowship grant.

Amounts allocable to portion of grant not excluded from income. If a portion of the scholarship or the fellowship grant may not be excluded from income because it represents compensation for part-time services (see *If you are a candidate for a degree,* discussed previously), the amount received to cover expenses pertaining to that portion may not be excluded from income. If none of the grant may be excluded from income because you have previously excluded amounts for 36 months (see *If you are not a candidate for a degree,* also previously discussed), none of the amount received to cover expenses related to the grant may be excluded from income.

Example. James Rhue, a citizen and resident of a foreign country, was granted a scholarship of $2,700 by a nonprofit organization in the United States. The grant was for the academic year September 1979 to June 1980 (9 months) to study for a master's degree at a university in the United States. He was also allowed $270 that was specifically designated for clerical help, all of which he spent for the designated purpose. As a condition of the grant he was required to do part-time instructing for which an individual who was not a recipient of a scholarship would be paid $50 a month. All candidates for the master's degree were not required to do part-time teaching. The grant was paid at the rate of

$300 a month and the expense allowance at the rate of $30 a month.

Of the grant, $250 per month is excluded from income and $50 (the amount considered to be received for teaching) is included in income. Of the $30 per month received for clerical help, James may exclude only the portion attributable to the portion of the grant that is excluded from income. Thus, $25 ($30 × $250/$300) of the monthly clerical help allowance may be excluded, and $5 must be included in income.

Amounts not spent. Any amount received to cover expenses that is not spent for that purpose, must be included in income unless it is returned to the grantor. This amount is included in taxable income for the tax year in which the period for excluding the grant from income expires.

Pay Received from a Foreign Employer

There are two groups of nonresident aliens temporarily in the United States who may exclude from gross income pay received from a foreign employer.

Students

The first group consists of students who have a residence in a foreign country and have no intention of abandoning it. They must be bona fide students, qualified to pursue a full course of study, who enter the United States temporarily and solely to pursue such a course of study at an established institution of learning or other recognized place of study in the United States. The institution of learning or place of study must have been designated by the student and approved by the Attorney General of the United States for attendance by such students. Included are the alien spouse and minor children if they accompany the alien or follow to join the alien.

These individuals are admitted to the United States under section 101(a)(15)(F) of the Immigration and Nationality Act.

Exchange Visitors

The second group consists of aliens having residence in a foreign country who have no intention of abandoning it. They must be bona fide students, scholars, trainees, teachers, professors, research assistants, specialists, or leaders in a field of specialized knowledge or skill, or persons of similar description. They must have come to the United States temporarily to participate in a program designated by the Secretary of State of the United States. Included are the alien spouse and minor children if they accompany the alien or follow to join the alien.

These individuals are admitted to the United States under section 101(a)(15)(J) of the Immigration and Nationality Act. A nonresident alien temporarily present in the United States under this section of this Act includes an alien individual admitted to the United States as an ***exchange visitor*** under the Mutual Educational and Cultural Exchange Act of 1961.

Foreign Employer

A foreign employer is:

1) A nonresident alien individual, foreign partnership, or foreign corporation not engaged in a trade or business in the U.S., or
2) An office or place of business maintained in a foreign country or in a U.S. possession by a domestic corporation, a domestic partnership, or an individual who is a citizen or resident of the United States.

The term foreign employer does not include a foreign government or international organization. The extent to which pay received from a foreign government or international organization is exempt from U.S. income tax is discussed in Publication 519, *U.S. Tax Guide for Aliens*.

See *Wages and Salaries Paid by a Foreign Government*, discussed later under *Tax Exemption Provided by Treaty or Convention*, for the exemption provided by treaties.

Filing U.S. Income Tax Returns

This discussion is directed generally to the needs of nonresident alien individuals who are foreign scholars and educational and cultural exchange visitors. A detailed discussion of other information and rules that are pertinent to nonresident aliens in general (such as the treatment under U.S. income tax laws of capital gains and certain other gains when realized by nonresident alien individuals) is beyond the scope of this publication. An Appendix at the end of this publication provides the answers to the questions most frequently asked by nonresident alien students and exchange visitors.

If the information that follows is not sufficient for your purposes, you should get a copy of Publication 519, *U.S. Tax Guide for Aliens*, available without charge from most Internal Revenue offices or from the Office of International Operations, Internal Revenue Service, Washington, D.C. 20225.

Who must file. If you have income from sources in the United States during your tax year, you generally must file a U.S. income tax return. You are not required to file an income tax return, however, if you were not engaged in trade or business in the United States, you have not made the *Real property income election* (discussed later), and the income tax withheld on your income fully satisfied your tax liability.

Note: The fact that you left the United States before the due date for filing the return, and you filed Form 1040C, *U.S. Departing Alien Income Tax Return*, does not relieve you of the requirement of filing a Form 1040NR, *U.S. Nonresident Alien Income Tax Return*.

Whether you are or are not considered to be engaged in trade or business in the United States, if you receive income that is treated as, or that you elect to treat as, effectively connected with the conduct of a trade or business within the United States, you must file Form 1040NR.

Engaged in Trade or Business in the United States

A nonresident alien is considered engaged in trade or business in the United States if temporarily present in the United States as a nonimmigrant under subparagraphs (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act. Subparagraph (J) includes a nonresident alien individual admitted to the United States as an ***exchange visitor*** under the Mutual Educational and Cultural Exchange Act of 1961.

Generally, a nonresident alien who performs personal services in the United States at any time during the tax year is engaged in trade or business in the United States. A nonresident alien is not engaged in trade or business in the United States, however, if the alien is temporarily present in the United States for a total of not more than 90 days during the tax year and the pay for services does not exceed $3,000, and the personal services are performed as an employee of or under contract with:

1) A nonresident alien individual, foreign partnership, or foreign corporation, not engaged in trade or business within the United States, or
2) An individual who is a citizen or resident of the United States, or by a domestic partnership or a domestic corporation, if the personal services are performed for an office or place of business maintained in a foreign country or possession of the United States by the individual, partnership, or corporation.

If the pay exceeds $3,000, the entire amount is income from sources in the United States.

Gross Income of a Nonresident Alien

If you are a nonresident alien, who at any time during the tax year is engaged in trade or business in the United States, you must separate your gross income from U.S. sources into two categories:

1) Gross income from sources in the United States that ***is not*** effectively connected for the tax year with your trade or business in the United States, and
2) Gross income from sources in the United States that ***is*** effectively connected for the tax year with your trade or business in the United States.

A separate tax must be computed on each of these categories of income. (Publication 519, *U.S. Tax Guide for Aliens*, contains a discussion of circumstances and conditions under which some nonresident aliens receive foreign source income that is effectively connected with a U.S. trade or business.)

Effectively connected income. If you are temporarily present in the United States as a nonimmigrant on an "F" or "J" visa, you are considered engaged in a trade or business in the United States. You must include in gross income effectively connected with your trade or business the following items of income from sources in the United States.

1) The amount of a scholarship or a fellowship grant received in excess of $300 times the number of months for which it was received during the year if you are not a candidate for a degree. (The $300 monthly exclusion is limited to 36 months, whether or not consecutive, during a lifetime.)
2) The entire amount of a scholarship or a fellowship grant after you have been entitled to the $300 per month exclusion for 36 months if you are not a candidate for a degree.
3) Allowances received incident to a scholarship or fellowship grant for travel, research, clerical help, or equipment, if those amounts are subject to tax because (a) they pertain to the portion of the scholarship or fellowship that is subject to tax, or (b) they were not specifically designated to cover such expenses. It is immaterial whether you are a candidate for a degree.

Nonresident aliens admitted to the United States on "H" or "L" visas will treat any of the above three items of income they receive according to the rules later in *Income not effectively connected.*

If you are a nonresident alien (including one admitted under an F or J visa) who at any time during the tax year is engaged in a U.S. trade or business because you perform personal services in the United States, you must treat income received during the tax year from the performance of personal services as income effectively connected with the conduct of a U.S. trade or business.

Real property income election. Nonresident alien individuals who receive income from real property located in the United States that is held for the production of income, or who receive income from any interest in any such property, may choose to treat all such income as income effectively connected for the tax year with their conduct of a trade or business in the United States. The choice may be made whether or not they are engaged in trade or business in the United States during the tax year for which the choice is made, but it may be made only for income not otherwise effectively connected for the tax year with their conduct of a trade or business in the United States. Once the election is made, it remains in effect for all later tax years unless permission is granted by the Internal Revenue Service to revoke the election.

Income not effectively connected. A nonresident alien individual who is not engaged in a U.S. trade or business during the tax year (provided that the *Real property income election,* just discussed, does not apply) can not receive income that is treated as income effectively connected for the tax year with the conduct of a trade or business within the United States. Similarly, income such as interest, dividends, rents and royalties, and annuities, realized by nonresident alien individuals engaged in trade or business in the United States during the tax year by reason of their performing personal services in the United States, is not treated as income effectively connected with their conduct of the trade or business of performing personal services.

However, such income realized by nonresident aliens engaged in trade or business in the United States will be treated as effectively connected, if there is a direct economic relationship between their holding of the property (bonds or stocks of a U.S. corporation, for example) from which such income results and their trade or business of performing personal services.

Form 1040NR

This is the U.S. income tax return form to be filed by any nonresident alien required to file a return. Some of the pertinent information concerning the filing of this form is summarized below. More detailed information is contained in Publication 519, *U.S. Tax Guide for Aliens.* Additional assistance may be obtained at any Internal Revenue Service office.

Where to file: Internal Revenue Service Center, Philadelphia, PA 19255.

When to file: On or before April 15 following the close of the calendar year for which the return is being filed if you had wages subject to the withholding of income tax. If you had no wages subject to withholding, the return is due on or before June 15 following the close of the calendar year for which the return is being filed.

Deductions from Income

In general, deductions are allowed only to a nonresident alien who receives income effectively connected with a trade or business in the United States. These deductions consist of two categories.

First, most deductions are allowed only if and to the extent that they are connected with income effectively connected with a trade or business in the United States.

Second, certain nonbusiness itemized deductions are allowed to a nonresident alien, regardless of whether there is any connection between the deductions and the income that is effectively connected with a trade or business within the United States.

The deductions in either category may be claimed only if the nonresident alien files a return on Form 1040NR.

These deductions are allowable only if you file an accurate return reporting all income from U.S. sources (unless specifically excluded) and all income from any source, effectively connected with your U.S. trade or business.

Deductions connected with income effectively connected with a trade or business in the United States. Two deductions are primarily of interest to you. They are allowable only if and to the extent that they are connected with income effectively connected with a trade or business in the United States.

Travel expenses. You may be entitled to deduct the ordinary and necessary travel expenses attributable to the performance of personal services in the United States. You must be able to show you were present in the United States on an activity that required you to be absent temporarily from your accustomed place of business or regular place of employment.

For example, if you have established a "tax home" through regular employment in a foreign country, and intend to return to the same or similar employment in the same country at the end of your temporary stay in the United States, you will be entitled to deduct reasonable travel expenses paid. These travel expenses include your own costs of transportation, meals, and lodging.

An assignment, however, that is expected to last for a year or more usually is not temporary. Therefore, under these circumstances, you will not be allowed a deduction for expenses of transportation, meals, and lodging while away from home. Travel expenses of other members of your family or party are not deductible.

You may not deduct travel expenses allocable to exempt income. For example, a nondegree candidate may exclude up to $300 a month of a qualified fellowship grant. If the candidate also is entitled to a deduction for travel expenses, the portion allocable to the $300 per month exempt fellowship grant is not deductible.

Moving expenses. A nonresident alien temporarily in the United States who earns taxable income from the performance of personal services may deduct moving expenses to the United States if the following conditions are met:

1) During the 12-month period immediately following arrival the alien must be a full-time employee for at least 39 weeks, and
2) The new place of work must be at least 35 miles farther from the former home than the alien's former place of work.

If the nonresident alien had no former place of work, the new place of work must be at least 35 miles from the former home. A nonresident alien may not deduct the moving expense incurred in returning home. For further information, obtain Publication 521, *Moving Expenses.*

You deduct travel expenses, moving expenses, and certain other adjustments to income from your income on page one of Form 1040NR.

Moving expense v. travel expense. A nonresident alien who deducts moving expenses may not deduct travel expenses while away from home for the same period. This is be-

cause moving expenses are based on a change in the taxpayer's principal place of business while travel expenses are based on the taxpayer being temporarily away from a principal place of business.

Nonbusiness itemized deductions. Certain other deductions are allowed a nonresident alien individual who receives income effectively connected with the conduct of a trade or business in the United States, regardless of whether there is any connection between those deductions and that income. These amounts are deducted on page three of Form 1040NR.

Charitable contributions. A nonresident alien may deduct charitable contributions made to qualified U.S organizations under the same rules that apply to U.S. citizens.

State and local income taxes. A deduction is allowed for state and local taxes paid on income effectively connected with the conduct of a trade or business in the United States.

Casualty or theft losses. A deduction is allowed for losses of property resulting from certain casualties or thefts, but only if the loss is of property located in the United States.

Personal exemptions. A nonresident alien may deduct one personal exemption (except U.S. nationals and residents of Canada or Mexico, who are allowed the same exemptions as U.S. citizens). Residents of Japan who are nonresident aliens (other than officers or employees of the Government of Japan or local authority thereof) may claim exemptions for their spouses and for each of their children who are present and residing with them in the United States at any time during the tax year. However, the amount of exemption they may claim is limited to the ratio which the income from sources in the United States that is treated as effectively connected with the conduct of a U.S. trade or business bears to their total income from all sources.

Determination of Tax Liability

Your U.S. tax liability is determined by the use of the tax tables or the tax rate schedules found in the *Instructions for Form 1040NR*. The determination of whether you use the tax tables or the tax rate schedules is based on the amount of your tax table income (line 39, Form 1040NR) and the number of personal exemptions claimed.

The tax tables are used by a nonresident alien, who is single or who is married filing a separate return, and who has tax table income of $20,000 or less, and who claims 3 or less personal exemptions.

A nonresident alien, whose tax table income is more than $20,000 or who claims more than 3 personal exemptions must use the tax rate schedules to compute the tax.

Zero bracket amount. Both the tax tables and the tax rate schedules allow a deduction for the zero bracket amount. The zero bracket amount is used by U.S. citizens and residents in lieu of itemizing nonbusiness deductions and varies depending on your filing status. The amounts are $2,300 for a single individual, and $1,700 for a married individual filing a separate return.

A nonresident alien, however, must deduct any allowable nonbusiness itemized deductions (discussed previously) and may not take advantage of the zero bracket amount. Because the tax tables and tax rate schedules already deduct this amount in determining the tax shown, the following adjustment must be made by nonresident aliens filing Form 1040NR.

Unused zero bracket amount. Any excess of the appropriate zero bracket amount over nonbusiness itemized deductions is the unused zero bracket amount and must be added to income before determining your tax from a tax table or a tax rate schedule.

Example. John Elm is a nonresident alien. He is single and has gross income of $10,000, which is income effectively connected with a trade or business in the United States. He contributed $200 to a U.S. charity and paid $300 in state income taxes on his U.S. source income. John determines his tax table income as follows:

Gross income effectively connected with a trade or business in the United States		$10,000
Add: Unused zero bracket amount		
Zero bracket amount	$2,300	
Less: Itemized deductions	500	1,800
Tax table income		$11,800

Excess nonbusiness itemized deductions. If your nonbusiness itemized deductions exceed the zero bracket amount, only the excess nonbusiness deductions are subtracted from income since the tax tables and the tax rate schedules already allow a deduction for the zero bracket amount.

Example. If in the preceding example John's nonbusiness itemized deductions totaled $2,400, he would subtract only the excess nonbusiness itemized deductions in arriving at his tax table income.

Gross income effectively connected with a U.S. trade or business		$10,000
Less excess nonbusiness itemized deductions:		
Nonbusiness itemized deductions	$2,400	
Less: Zero bracket amount	2,300	100
Tax table income		$ 9,900

Tax Credits

Child care credit. If you pay someone to care for your dependent who is under 15, or your disabled dependent or disabled spouse so that you can work or look for work, you may be able to take a tax credit for the amount you pay.

To qualify, you must keep up a home in which you live with your dependent child under age 15 or your disabled dependent or disabled spouse.

If you are a married nonresident alien, you may claim the credit only if you are married to a U.S. citizen or a resident alien, choose to be treated as a U.S. resident, and file a joint return; or you are considered unmarried because you live apart from your spouse.

There are two limitations in computing the credit:

1) The amount of the expense eligible for the credit in any tax year may not exceed your earned income for that tax year (if married, the lesser of your earned income or the earned income of your spouse). Earned income generally means wages, salaries, professional fees, etc., for personal services rendered.
2) The amount of the credit is 20% of the expenses paid during the tax year. However, the expenses are limited to $2,000 for one qualifying dependent, or $4,000 for two or more qualifying dependents.

For more information, obtain Publication 503, *Child and Disabled Dependent Care*.

Credit for tax withheld. U.S. income tax withheld from any payments to you is deducted from your tax as computed on Form 1040NR to determine whether there is additional tax due or if you are entitled to a refund.

Refund or Payment of Tax

Refund of tax. The filing of Form 1040NR constitutes the filing of a claim for refund if the income tax withheld plus that paid on Form 1040C (see *Certificate of Compliance Required for Departure from the United States*, discussed later) exceeds your tax liability as shown on Form 1040NR.

Payment of tax. The tax due, as shown on the return Form 1040NR, is payable in full at the time fixed for filing the return. See *When to file*, previously discussed.

Caution. If you are an alien who has actually established residence in the United States after having been admitted as an immigrant or after having adjusted your status to that of an immigrant, and you are considering the filing of a tax return on Form 1040NR as a nonresident alien or otherwise claiming tax benefits as a nonresident alien, you should carefully consider the consequences under the immigration and naturalization laws before you do.

If you take such action, you may be held by the Internal Revenue Service and by the Immigration and Naturalization Service as having abandoned your residence in the United States and as having lost your immigrant status under the immigration and naturalization laws. As a consequence, you may be ineligible for a visa or other document for which lawful permanent resident aliens are eligible; you may be inadmissible to the United States if you seek admission as a returning resident; and you may become ineligible for naturalization on the basis of your original entry or adjustment as an immigrant.

Tax Exemption Provided by Treaty or Convention

The United States has tax treaties or conventions with numerous countries under which citizens, and in some cases residents, of those countries are exempt from U.S. income tax on certain amounts received while they are temporarily in the United States. Income that is exempted from U.S. tax by these treaties is not included in the gross income of a nonresident alien individual for U.S. income tax purposes.

Some kinds of income you may receive while in the United States that are exempt by the treaties include:

1) Certain pay for personal services performed by a nonresident alien,
2) Pay of foreign professors and teachers who teach in the United States for a limited period of time,
3) Amounts received from abroad for the maintenance and studies of foreign students and apprentices who are here for study or experience, and
4) Wages, salaries, and pensions received by a nonresident alien paid by the alien's government.

The provisions of each of the tax treaties are described in the following discussions under the heading for each of these four types of income.

Personal Services

Income for certain personal services performed in the United States is exempt from U.S. income tax if you are a ***resident*** (not necessarily a citizen) of one of the countries listed, you are in the United States for a limited number of days in the tax year, and you meet certain other conditions. For this purpose, the word day means a day during any portion of which you are physically present within the United States.

Australia. Income residents of Australia receive for personal services (including professional services) performed in the United States for or on behalf of a resident of Australia during the tax year is exempt from U.S. income tax if they are in the United States for no more than 183 days during such tax year. In determining the residence of a person for whom services are performed, that person will not be considered a resident of the United States merely because engaged in a trade or business in the United States through a permanent establishment in the United States.

Residents of the territories of Papua, New Guinea, and Norfolk Islands also are entitled to this exemption.

Austria. Income residents of Austria receive for labor or personal services (including the practice of the liberal professions and the performance of services as a director) performed in the United States is exempt from U.S. income tax if they are temporarily in the United States for no more than 183 days during the tax year and the income does not exceed $3,000. Income, regardless of amount, received by residents of Austria who are temporarily in the United States for no more than 183 days during the tax year is also exempt from U.S. income tax if it is received for labor or personal services. The labor or personal services in this case must be performed as an employee of, or under contract with, a natural person who is a resident of Austria or an Austrian corporation, and that person or corporation bears the burden of the compensation.

Barbados. Income residents of Barbados receive for personal (including professional) services performed during the tax year in the United States is exempt from U.S. income tax if two conditions are met. First, they must not have been in the United States for more than 183 days during the tax year. Second, they must have performed the services for, or on behalf of, a person resident in Barbados.

Belgium. Income residents of Belgium receive for the performance of personal services as independent contractors or self-employed individuals (independent personal services) in the United States during the tax year is exempt from U.S. income tax if:

1) The period or periods of presence in the United States total less than 183 days during the tax year, and
2) They do not maintain a fixed base in the United States for a period or periods exceeding, in the aggregate, 182 days during the tax year. If they do not meet this requirement, they are taxed on the income attributed to the base.

The exemption does not apply to individuals who are public entertainers (theater, motion picture or television artists, musicians or athletes), if they are in the United States for more than 90 days during the tax year or their pay for services as public entertainers exceeds $3,000.

Income residents of Belgium receive for labor or personal services performed in the United States as employees (dependent personal services), including remuneration received by officers of a corporation, is exempt from U.S. income tax if the employees meet three requirements:

1) The period or periods of presence in the United States total less than 183 days during the tax year,
2) They are employees of a resident of Belgium or of a permanent establishment situated in Belgium, and
3) The income is not borne by a permanent establishment which the employer has in the United States.

Income for services performed by an individual aboard ships or aircraft registered in Belgium and operated by a resident of Belgium in international traffic is exempt from U.S. tax if the individual is a member of the regular complement of the ship or aircraft.

Burundi. Income residents of Burundi receive for labor or personal services performed in the United States is exempt from U.S. income tax if they are temporarily in the United States for no more than 90 days during the tax year and their income for the labor or services does not exceed $3,000. Income received as an officer or director of a corporation organized or created in the United States is not exempt. If residents of Burundi are temporarily in the United States for no more than 183 days during the tax year, they are exempt from U.S. income tax on income, regardless of the amount, received for labor or personal services performed as a worker or employee of, or under contract with, a resident of Burundi or a Burundi corporation or entity that bears the burden of the compensation.

Canada. Income residents of Canada receive for personal services (including professional services) performed during the tax year in the United States is exempt from U.S. income tax if they are in the United States for no more than 183 days during the tax year and the income does not exceed $5,000. Income, regardless of amount, residents of Canada receive for personal services performed as an officer or employee of a resident, corporation, or other Canadian entity, or a permanent establishment in Canada of a U.S. enterprise, is also exempt from U.S. income tax. Canadian residents are not entitled to this exemption if they were in the United States for more than 183 days during the tax year.

Denmark. Income for labor or personal services (including the practice of liberal professions) residents of Denmark perform in the United States is exempt from U.S. income tax if they are temporarily in the United States for no more than 90 days during the tax year and their pay does not exceed $3,000. Income for labor or personal services residents of Denmark perform as employees of, or under contract with, a resident, corporation, or other entity of Denmark, is exempt from U.S. income tax if they are in the United States for no more than 180 days during the tax year.

Finland. Income residents of Finland receive for the performance of personal services as independent contractors or self-employed individuals (independent personal services) in the United States during the tax year is exempt from U.S. income tax if the period or periods they are in the United States do not exceed a total of 183 days during the tax year.

Income residents of Finland receive for labor or personal services performed in the United States as employees (dependent personal services), is exempt from U.S. income tax if the employees meet three requirements:

1) The period or periods they are in the United States do not exceed a total of 183 days during the tax year,
2) The income is paid by, or on behalf of, an employer who is not a resident of the United States, and
3) The income is not borne by a permanent establishment of the employer in the United States.

Income received by an individual for personal services aboard ships or aircraft registered in Finland and operated by a resident of Finland will not be taxed in the United States so long as the services are rendered by the individual as a member of the regular complement of the ship or aircraft.

France. Income residents of France receive for the performance of personal services as independent contractors or self-employed individuals (independent personal services) in the United States during the tax year is exempt from U.S. income tax if they meet two requirements:

1) The period or periods they are in the United States do not exceed a total of 183 days during the tax year, and
2) They do not maintain a fixed base in the United States for a period or periods exceeding a total of 183 days during the tax year.

Income residents of France receive for labor or personal services performed in the United States as employees (dependent personal services), is exempt from U.S. income tax if the employees meet three requirements:

1) The period or periods they are in the United States do not exceed a total of 183 days during the tax year,
2) The income is paid by, or on behalf of, an employer who is not a resident of the United States, and
3) The income is not borne by a permanent establishment of the employer in the United States.

Income for services performed by an individual aboard ships and aircraft registered in France and operated by a resident of France is exempt from tax in the United States if the individual is a member of the regular complement of the ship or aircraft.

Gambia. Income residents of Gambia receive for personal (including professional) services performed during the tax year in the United States is exempt from U.S. income tax if two conditions are met. First, they must not have been in the United States for more than 183 days during the tax year. Second, they must have performed the services for, or on behalf of, a person resident in Gambia.

Germany, Federal Republic of. Income residents of the Federal Republic of Germany receive for labor or personal services (including the practice of the liberal professions and the rendition of services as directors) performed in the United States is exempt from U.S. income tax if they are temporarily in the United States for not more than 183 days during the tax year. The labor or personal services must be performed as an employee of, or under contract with, a natural person resident in the Federal Republic or a German company that bore the pay, and such pay may not be borne by a permanent establishment that the resident or company has in the United States.

Greece. Income residents of Greece receive for labor or personal services (including the practice of liberal and artistic professions) is exempt from U.S. income tax if they are temporarily in the United States for not more than 183 days during the tax year and the pay does not exceed $10,000. Their pay, regardless of amount, is exempt from U.S. income tax if it is for labor or personal services performed as employees of, or under contract with, a resident of Greece or a Greek corporation or other entity of Greece, and they are temporarily in the United States for not more than 183 days during the tax year.

Grenada. Income residents of Grenada receive for personal (including professional) services performed during the tax year in the United States is exempt from U.S. income tax if two conditions are met. First, they must not have been in the United States for more than 183 days during the tax year. Second, they must have performed the services for, or on behalf of, a person resident in Grenada.

Hungary. Income residents of Hungary receive for performing personal services as independent contractors or self-employed individuals (independent personal services) in the United States during the tax year is exempt from U.S. tax if:

1) They are not in the United States for more than 183 days during the tax year, and
2) They do not have a fixed base regularly available in the United States. (If they have a fixed base available in the United States, they are taxed on the income attributable to the fixed base.)

Income residents of Hungary receive for labor or personal services performed in the United States as employees (dependent personal services), is exempt from U.S. income tax if the employees meet three requirements:

1) The period or periods they are in the United States do not exceed a total of 183 days during the tax year,
2) The income is paid by, or on behalf of, an employer who is not a resident of the United States, and
3) The income is not borne by a permanent establishment or a fixed base that the employer has in the United States.

Pay received by members of the regular complement of a ship or aircraft operated by a resident of Hungary in international traffic is also exempt.

Iceland. Income residents of Iceland receive for the performance of personal services as independent contractors or self-employed individuals (independent personal services) in the United States during the tax year is exempt from U.S. income tax if:

1) The period or periods they are in the United States does not exceed a total of 182 days during the tax year,
2) They do not maintain a fixed base in the United States for a period or periods exceeding a total of 182 days during the tax year, (If they do not meet this requirement, they are taxed on only so much of the income as is attributable to the fixed base.) and
3) They are public entertainers (theater, motion picture or television artists, musicians, or athletes) and are in the United States for not more than 90 days during the tax year and the pay for services as public entertainers does not exceed $100 per day.

Income residents of Iceland receive for labor or personal services performed in the United States as employees (dependent personal services), is exempt from U.S. income tax if the employees meet three requirements:

1) The period they are in the United States does not exceed a total of 182 days during the tax year,
2) They are employees of a resident of Iceland or of a permanent establishment of a resident of a State other than Iceland if the permanent establishment is situated in Iceland, and
3) The income is not borne by a permanent establishment which the employer has in the United States.

Income for services performed by an individual aboard ships or aircraft operated by a resident of Iceland in international traffic or in fishing on the high seas is exempt from U.S. tax if the individual is a member of the regular complement of the ship or aircraft.

Ireland. Income residents of Ireland receive for personal services (including professional services) performed during the tax year in the United States, for or on behalf of a person resident in Ireland, is exempt from U.S. income tax if their presence within the United States is not for more than 183 days during that tax year.

Italy. Income residents of Italy receive for labor or personal services (including the practice of the liberal professions) is exempt from U.S. income tax if they are temporarily present in the United States for not more than 90 days during the tax year and income for those services does not exceed a total of $2,000. All such income is exempt from U.S. income tax, however, if they perform the labor or personal services as employees of, or under contract with, a resident, corporation, or other entity of Italy, and they are not in the United States for more than 90 days during the tax year.

Jamaica. Income residents of Jamaica receive for personal (including professional) services performed during the tax year in the United States is exempt from U.S. income tax if two conditions are met. First, they must not have been in the United States for more than 183 days during the tax year. Second, they must have performed the services for, or on behalf of, a person resident in Jamaica.

Japan. Income residents of Japan receive for the performance of personal services as independent contractors or self-employed individuals (independent personal services) in the United States during the tax year is exempt from U.S. income tax if:

1) The period or periods they are in the United States does not exceed a total of 183 days during the tax year,

2) They do not maintain a fixed base in the United States for a period or periods exceeding a total of 183 days during the tax year, (If they do not meet this requirement, they are taxed on only so much of the income as is attributable to the fixed base.) and

3) They are public entertainers (theater, motion picture or television artists, musicians, or athletes) and are in the United States for not more than 90 days during the tax year and the pay for services as public entertainers does not exceed $3,000.

Income residents of Japan receive for labor or personal services performed in the United States as employees (dependent personal services), including pay received by an officer or a member of the board of directors of a corporation, is exempt from U.S. income tax if the employees meet three requirements:

1) The period they are in the United States does not exceed a total of 183 days during the tax year,

2) They are employees of a resident of Japan or of a permanent establishment of a resident of a state ***other*** than Japan if the permanent establishment is situated in Japan, and

3) The income is not borne by a permanent establishment which the employer has in the United States.

However, the exemption does not apply in certain cases where the employee owns stock of the employer or is a member of the employer's board of directors.

Pay received by a resident of Japan who is a member of the regular complement of a ship or aircraft operated in international traffic by a resident of Japan is exempt.

Korea. Income residents of Korea receive for the performance of personal services as independent contractors or self-employed individuals (independent personal services) in the United States during the tax year is exempt from U.S. tax if:

1) They are not in the United States for more than a total of 182 days during the tax year,

2) The income received for those services is not more than $3,000 during the tax year, and

3) They do not maintain a fixed base in the United States for more than 182 days during the tax year. (If they maintain a fixed base in the United States for more than 182 days, they are taxed on the income attributable to the fixed base.)

Income residents of Korea receive for labor or personal services performed in the United States as employees (dependent personal services), including pay for services performed as an officer of a corporation, is exempt from U.S. tax if the residents meet four requirements:

1) They are not in the United States for more than 182 days during the tax year,

2) They are employees of a resident of Korea or of a permanent establishment maintained in Korea,

3) The compensation is not borne by a permanent establishment that the employer has in the United States, and

4) The income for those services is not more than $3,000.

Pay received by members of the regular complement of a ship or aircraft operated by a resident of Korea in international traffic also is exempt.

Luxembourg. Income residents of Luxembourg receive for labor or personal services performed in the United States during the tax year is exempt from U.S. income tax if they are in the United States for no more than 180 days during the tax year and such income does not exceed $3,000. Residents of Luxembourg are also exempt from U.S. income tax on income, regardless of the amount, for services performed during the tax year as employees of a resident or corporation of Luxembourg, or a permanent establishment of a U.S. enterprise in Luxembourg that bore the income, if they were temporarily in the United States for no more than 180 days during the tax year.

Malawi. Income residents of Malawi receive for personal (including professional) services performed during the tax year in the United States is exempt from U.S. income tax if two conditions are met. First, they must not have been in the United States for more than 183 days during the tax year. Second, they must have performed the services for, or on behalf of, a person resident in Malawi.

Netherlands. Income individual residents of the Netherlands receive is exempt from U.S. income tax if it is received for the performance of personal services in an independent capacity in the United States, and if they are present in the United States for a total of no more than 183 days during the tax year. Also exempt is the pay of an individual who serves as an employee of a resident or corporation of a country other than the United States, or of a permanent establishment of a resident or corporation of the United States located outside the United States and the pay is not deducted by the employer in computing the profits of the permanent establishment in the United States. This exemption applies only if the Netherlands resident is temporarily present in the United States for a total of no more than 183 days during the tax year.

Netherlands Antilles. Income residents of the Netherlands Antilles receive may be exempt from U.S. income tax if it is received for labor or personal services performed in the United States as workers or employees of, or under contract with, a resident of the Netherlands Antilles or a Netherlands Antilles corporation that carries the actual burden of the income. This exemption applies only if the Antilles residents are temporarily present in the United States for a total of no more than 183 days during the tax year.

New Zealand. Income residents of New Zealand receive for personal services (including professional services) performed in the United States in any tax year is exempt from U.S. income tax if the residents are present in the United States for no more than 183 days during that tax year and the services are performed for or on behalf of a person resident in New Zealand. For this purpose, a corporation of the New Zealand Government is not considered a resident of the United States even though it has a permanent establishment in the United States.

Norway. Income residents of Norway receive for the performance of personal services as independent contractors or self-employed individuals (independent personal services) in the United States during the tax year is exempt from U.S. income tax if:

1) The period or periods they are in the United States do not exceed a total of 182 days during the tax year,

2) They do not maintain a fixed base in the United States for a period or periods exceeding a total of 182 days during the tax year. If they do not meet this requirement, they are taxed only on so much of the income as is attributable to the fixed base, and

3) They are public entertainers (theater, motion picture or television artists, musicians or athletes), who are in the United States for no more than 90 days during the tax year or the pay for services as public entertainers does not exceed $3,000.

Income residents of Norway receive for labor or personal services performed in the United States as employees (dependent personal services), is exempt from U.S. income tax if the employees meet three requirements:

1) The period they are in the United States totals less than 183 days during the tax year,

2) They are employees of a resident of Norway or of a permanent establishment of a resident of a state ***other*** than Norway if the permanent establishment is situated in Norway, and

3) The income is not borne by a permanent establishment which the employer has in the United States.

However, the exemption does not apply to a resident of Norway who performs services as an employee aboard ships or aircraft operated by a United States resident in international traffic or in fishing on the high seas, provided the resident of Norway is a member of the ship's or aircraft's regular complement.

Pakistan. Residents of Pakistan who perform personal services (including professional services), for or on behalf of a resident of Pakistan, while temporarily in the United States for no more than 183 days during the tax year, are exempt from U.S. income tax on the income from such services if they are subject to Pakistani tax.

Poland. Income residents of the Polish People's Republic receive for the performance of personal services as independent contractors or self-employed individuals (independent personal services) in the United States is exempt from U.S. income tax if the period or periods they are in the United States does not exceed a total of 182 days during the tax year.

Income residents of Poland receive for labor or personal services performed as employees (dependent personal services), including services performed by an officer of a corporation or company, in the United States during the tax year is exempt from U.S. income tax if they meet three requirements:

1) The period they are in the United States does not exceed a total of 182 days during the tax year,
2) The income is paid by, or on behalf of, an employer who is not a U.S. resident, and
3) The income is not borne by a permanent establishment which the employer has in the United States.

Pay received by members of the regular complement of a ship or aircraft operated by a resident of Poland in international traffic also is exempt.

Romania. Income residents of the Socialist Republic of Romania receive for the performance of personal services as independent contractors or self-employed individuals (independent personal services) in the United States during the tax year is exempt from U.S. income tax:

1) If the period or periods the individuals are in the United States does not exceed a total of 182 days during the tax year,
2) If the individuals do not maintain a permanent establishment in the United States with which the income is effectively connected, and
3) If the individuals are public entertainers (theater, motion picture, radio, or television artists, musicians, or athletes) and they are not in the United States for more than 90 days during the tax year and the pay received for services as public entertainers is not more than $3,000 during the tax year.

Income received by public entertainers who are present in the United States under specific arrangements between the United States and Romania is exempt without regard to the 90 day-$3,000 requirement in item (3). The entertainers must, however, meet the requirements just discussed in items (1) and (2).

Income residents of the Socialist Republic of Romania receive for labor or personal services performed as employees (dependent personal services) in the United States during the tax year is exempt from U.S. income tax if the employees meet four requirements:

1) The period they are in the United States does not exceed a total of 182 days during the tax year,
2) They are employees of a resident of Romania or of a permanent establishment of a resident of the United States if the permanent establishment is situated in Romania,
3) The income is not borne by a permanent establishment which the employer has in the United States, and
4) If the employees are entertainers (theater, motion picture, radio, or television artists, musicians, or athletes), they must be present in the United States less than 90 days during the tax year and their income received as employees must be less than $3,000 during the tax year.

The requirements just discussed in item (4) do not apply to entertainers who are present in the United States pursuant to specific arrangments between the United States and Romania.

Pay received by members of the regular complement of a ship or aircraft operated by a resident of Romania in international traffic is exempt.

Rwanda. Income residents of the Republic of Rwanda receive for labor or personal services performed in the United States is exempt from U.S. income tax if they are temporarily in the United States for no more than 90 days during the tax year and their income for the labor or services does not exceed a total of $3,000. Pay received as an officer or director of a corporation organized or created in the United States is not exempt. If residents of Rwanda are temporarily in the United States for no more than 183 days during the tax year, they are exempt from U.S. income tax on income, regardless of the amount, received for labor or personal services performed as a worker or employee of, or under contract with, a resident of Rwanda or a Rwanda corporation or entity that bears the burden of the income.

Seychelles. Income residents of Seychelles receive for personal (including professional) services performed during the tax year in the United States is exempt from U.S. income tax if two conditions are met. First, they must not have been in the United States for more than 183 days during the tax year. Second, they must have performed the services for, or on behalf of, a person resident in Seychelles.

Sierra Leone. Income residents of Sierra Leone receive for personal (including professional) services performed during the tax year in the United States is exempt from U.S. income tax if two conditions are met. First, they must not have been in the United States for more than 183 days during the tax year. Second, they must have performed the services for, or on behalf of, a person resident in Sierra Leone.

South Africa, Republic of. Income individual residents of the Republic of South Africa receive for personal services (including professional services) performed in the United States in any tax year is exempt from U.S. income tax if:

1) The individuals are in the United States for no more than 183 days during the tax year,
2) The individuals performed the services for, or on behalf of, a resident in the Republic of South Africa, and
3) The income is subject to Republic of South Africa tax.

This exemption does not apply to the income of public entertainers such as stage, motion picture or radio artists, musicians, or athletes.

Sweden. Income residents of Sweden receive for labor or personal services (including the practice of the liberal professions) is exempt from U.S. income tax if it is received for labor or services performed while temporarily in the United States for no more than 180 days during the tax year as employees of, or under contract with, a resident, corporation, or other entity of Sweden. Residents of Sweden are exempt from U.S. income tax on income for such services if they are temporarily residing in the United States for no more than 90 days during the tax year and the income does not exceed a total of $3,000. These exemptions do not apply to the professional earnings of individuals such as actors, artists, musicians, and professional athletes.

Switzerland. Income residents of Switzerland receive for labor or personal services (including the practice of the liberal professions and the rendition of services as directors) is exempt from U.S. income tax if the individuals are temporarily residing in the United States for no more than 183 days during the tax year and such income is not more than $10,000. Also exempt from U.S. income tax is income, regardless of the amount, received by residents of Switzerland temporarily in the United States for no more than 183 days during the tax year for such labor or personal services performed as employees of, or under contract with, a resident, corporation, or other entity of Switzerland.

Trinidad and Tobago. Income individual residents of Trinidad and Tobago receive during the tax year for personal services performed in the United States is exempt from U.S. income tax if the individuals are temporarily present in the United States for no more than 183 days during the tax year, and either:

1) The individuals are employees of a resident of a country other than the United States, or are employees of a permanent establishment of a United States resident located outside the United States, and such income is not deducted in computing the profits of a permanent establishment in the United States, or
2) The income does not exceed $3,000.

These exemptions do not apply to the professional earnings of individuals such as actors, artists, musicians, and professional athletes or to any person providing their services, if the pay exceeds $100 per day.

Union of Soviet Socialist Republics. Income residents of the Soviet Union receive for the performance of personal services in the United States is exempt from U.S. income tax if the Soviet residents are temporarily residing in the United States for no more than 183 days during the tax year.

United Kingdom. Income residents of the United Kingdom receive for the performance of personal services as independent contractors or self-employed individuals (independent personal services) in the United States during the tax year is exempt from U.S. tax if:

1) They are not in the United States for more than 183 days during the tax year, and
2) They do not have a fixed base regularly available in the United States.

Income residents of the United Kingdom receive for labor or personal services performed in the United States as employees (dependent personal services) is exempt from U.S. tax if the employees meet three requirements:

1) The period they are in the United States does not exceed a total of 183 days,
2) The income is paid by, or on behalf of, an employer who is not a resident of the United States, and
3) The income is not borne by a permanent establishment or a fixed base that the employer has in the United States.

Income for services performed by members of the regular complement of a ship or aircraft operated in international traffic is taxed by the country of which the employer operating the ship or aircraft is a resident.

Income received for services performed in the United States by entertainers, musicians, and athletes, acting in those capacities, is not exempt if the amount of the income, including reimbursed expenses, exceeds $15,000 in any tax year.

Different provisions apply to residents of the following United Kingdom Territories: Antigua, Belize, Dominica, Falkland Islands, Montserrat, St. Christopher, Nevis, and Anguilla, St. Lucia, St. Vincent, and the British Virgin Islands. Compensation residents of these territories received for personal services (including professional services) performed during the tax year in the United States is exempt from U.S. income tax if two conditions are met. First, they must not have been in the United States for more than 183 days during the tax year and, second, they must have performed the services for, or on behalf of, a person resident in the same territory in which they are resident.

Zaire. Income residents of the Democratic Republic of Zaire receive for labor or personal services performed in the United States is exempt from U.S. income tax if the residents are temporarily in the United States for no more than 90 days during the tax year and their compensation for the labor or services does not exceed a total of $3,000. Pay received as an officer or director of a corporation organized or created in the United States is not exempt. If residents of Zaire are temporarily in the United States for no more than 183 days during the tax year, they are exempt from U.S. income tax on income, regardless of the amount, received for labor or personal services performed as workers or employees of, or under contract with, a resident of Zaire or a Zaire corporation or entity that bears the burden of the income.

Zambia. Income residents of Zambia receive for personal (including professional) services performed during the tax year in the United States is exempt from U.S. income tax if two conditions are met. First, they must not have been in the United States for more than 183 days during the tax year. Second, they must have performed the services for, or on behalf of, a person resident in Zambia.

Professors, Teachers, and Researchers

Pay of professors and teachers who are residents of the following countries is generally exempt from U.S. income tax for a period of 2 or 3 years if they temporarily visit the United States to teach or do research. The exemption applies to pay earned by the visiting professor or teacher during the applicable period even though the stay in the United States extends beyond that period. However, see *United Kingdom* for an exception.

The exemption applies to pay received during a second teaching assignment if both are completed within the specified time, even though the second assignment was not arranged until after arrival in the United States on the first assignment. For each of the countries listed the conditions are stated under which the pay of a professor or teacher from that country is exempt from U.S. income tax.

Australia. A professor or teacher who is a resident of Australia, and is temporarily in the United States for the purpose of teaching at a university, college, school, or other educational institution during a period not exceeding 2 years, is exempt from U.S. income tax on the income for teaching during that period. Residents of the territories of Papua, New Guinea, and the Norfolk Islands are also entitled to this exemption.

Austria. A professor or teacher who is a resident of Austria and temporarily visits the United States to teach at a university, college, school, or other educational institution for a period not exceeding 2 years is exempt from U.S. income tax on the income for teaching during that period.

Barbados. Professors or teachers from Barbados who visit the United States to teach at a university, college, school, or other educational institution for a period not exceeding 2 years are exempt from U.S. income tax on the income received from teaching.

Belgium. An individual who is a resident of Belgium on the date of arrival in the United States and who is temporarily in the United States at the invitation of the U.S. Government, a university, or other recognized educational institution located in the United States, for the primary purpose of teaching or engaging in research, or both, at a university or other accredited educational institution, is exempt from U.S. income tax on income for such teaching or research for a maximum period of 2 years from the date of arrival in the United States. This exemption does not apply to income from research carried on primarily for the private benefit of any person rather than in the public interest.

Burundi. A professor or teacher who is a citizen of Burundi may qualify for exemption from U.S. income tax on income received for teaching in the United States at a university, college, school, or other teaching establishment for a maximum period of 2 years. To qualify, the individual must teach while visiting the United States for that purpose within the framework of an agreement between the Burundi Government and the U.S. Government or between teaching establishments in Burundi and the United States under which professors and teachers of each country visit the other to teach.

Canada. A professor or teacher who is a resident of Canada and temporarily visits the United States to teach at a university, college, school, or other educational institution for a period not exceeding 2 years is exempt from U.S. income tax on the income received for teaching for that period.

Denmark. A professor or teacher who is a resident of Denmark and temporarily visits the United States for the purpose of teaching at a university, college, school, or other educational institution for a period not exceeding 2 years is exempt from U.S. income tax on income for teaching during that period.

Finland. An individual who is a resident of Finland on the date of arrival in the United States and who is temporarily in the United States at the invitation of the U.S. Government, a university, or other accredited educational institution located in the United States, for the primary purpose of teaching or engaging in research, or both, at a university or other accredited educational institution, is exempt from U.S. income tax for such teaching or research for a maximum period of 2 years from the date of arrival in the United States. This exemption does not apply to income from research carried on primarily for the private benefit of any person rather than in the public interest.

France. An individual who is a resident of France on the date of arrival in the United States and who is temporarily in the United States at the invitation of the U.S. Government, a university, or other accredited educational institution located in the United States, for the primary purpose of teaching or engaging in research, or both, at a university or other educational institution, is exempt from U.S. income tax for such teaching or research for a maximum period of 2 years from the date of arrival in the United States. This exemption does not apply to income from re-

search carried on primarily for the private benefit of any person rather than in the public interest.

Gambia. Professors or teachers from Gambia who visit the United States to teach at a university, college, school, or other educational institution for a period not exceeding 2 years are exempt from U.S. income tax on the income received from teaching.

Germany, Federal Republic of. A professor or teacher who is a resident of the Federal Republic and temporarily visits the United States for the purpose of teaching at a university, college, school, or other educational institution for a period not exceeding 2 years is exempt from U.S. income tax on the income for teaching during that period.

Greece. A professor or teacher who is a resident of Greece and is temporarily in the United States for the purpose of teaching at a university, college, or other educational institution for a maximum period of 3 years is exempt from U.S. income tax on the income received for teaching during that period.

Grenada. Professors or teachers from Grenada who visit the United States to teach at a university, college, school, or other educational institution for a period not exceeding 2 years are exempt from U.S. income tax on the income received from teaching.

Hungary. An individual who is a resident of the People's Republic of Hungary on the date of arrival in the United States and who is temporarily in the United States for the primary purpose of teaching or engaging in research, or both, at a university or other recognized educational institution, is exempt from U.S. income tax on income for such teaching or research for a maximum of 2 years from the date of arrival in the United States. The individual must have been invited to the United States by the U.S. Government or a state or local government, or by a university or other recognized educational institution located in the United States for a period not expected to exceed 2 years.

The exemption does not apply to income from research carried on primarily for the private benefit of any person rather than in the public interest.

Iceland. An individual who is a resident of Iceland on the date of arrival in the United States and who is temporarily in the United States at the invitation of the U.S. Government, a university, or other recognized educational institution located in the United States, for the primary purpose of teaching or engaging in research, or both, at a university or other educational institution, is exempt from U.S. income tax on income for such teaching or research for a maximum period of 2 years from the date of arrival in the United States. This exemption does not apply to income from research carried on primarily for the private benefit of any person rather than in the public interest.

Ireland. A professor or teacher who is a resident of Ireland and who visits the United States to teach at a university, college, school, or other educational institution for a period not exceeding 2 years is exempt from U.S. income tax on the income received for teaching during that period.

Italy. A resident of Italy who is not a citizen of the United States and who temporarily visits the United States to teach at a university, college, school, or other educational institution for a period not exceeding 2 years is exempt from U.S. income tax on the income received for teaching for that period.

Jamaica. Professors or teachers from Jamaica who visit the United States to teach at a university, college, school, or other educational institution for a period not exceeding 2 years are exempt from U.S. income tax on the income received for teaching.

Japan. An individual who is a resident of Japan on the date of arrival in the United States and who is temporarily in the United States at the invitation of the U.S. Government, a university, or other accredited educational institution located in the United States, for the primary purpose of teaching or engaging in research, or both, at a university or other educational institution, is exempt from U.S. income tax on income for such teaching or research for a maximum period of 2 years from the date of arrival in the United States. This exemption does not apply to income from research carried on primarily for the private benefit of any person rather than in the public interest.

Korea. An individual who is a resident of the Republic of Korea on the date of arrival in the United States and who is temporarily in the United States for the primary purpose of teaching or engaging in research, or both, at a university or other recognized educational institution is exempt from U.S. income tax on income for such teaching or research for a maximum period of 2 years from the date of arrival in the United States. The individual must have been invited to the United States by the U.S. Government or a State or local government, or by a university or other recognized educational institution situated in the United States for a period not expected to exceed 2 years.

The exemption does not apply to income from research carried on primarily for the private benefit of any person rather than in the public interest.

Luxembourg. A resident of Luxembourg who is temporarily in the United States, at the invitation of a U.S. university, college, school, or other recognized educational institution, solely to teach or engage in research, or both, at an educational institution is exempt from U.S. income tax on income for such teaching or research for not more than 2 years from the date of arrival in the United States. No exemption is granted for pay for research carried on for the benefit of any person other than the educational institution which extended the invitation.

Malawi. Professors or teachers from Malawi who visit the United States to teach at a university, college, school, or other educational institution for a period not exceeding 2 years are exempt from U.S. income tax on the income received from teaching.

Netherlands. A professor or teacher who is a resident of the Netherlands, and who visits the United States at the invitation of the U.S. Government or a U.S. university or other accredited educational institution situated in the United States, primarily to teach or engage in research, or both, at a university or other accredited educational institution, is exempt from U.S. income tax on the income from personal services for teaching or research at such educational institution or other such institution, for a maximum period of 2 years. This exemption does not apply to income from research carried on primarily for the private benefit of any person rather than in the public interest.

Netherlands Antilles. A professor or teacher who is a resident of the Netherlands Antilles and visits the United States to teach for a maximum period of 2 years at a university, college, or other teaching establishment may be exempt from U.S. income tax on the income received for such teaching. The exemption applies only if the professor or teacher has come to the United States to teach according to an agreement between the Netherlands Antilles and the United States or between teaching establishments in the two countries for the exchange of professors and teachers.

New Zealand. A professor or teacher who is normally a resident of New Zealand and who teaches, during a period of temporary residence not exceeding 2 years, at a university, college, school, or other educational institution in the United States is exempt from U.S. income tax on the income received for teaching during that period.

Norway. An individual who is a resident of Norway on the date of arrival in the United States and who is temporarily in the United States at the invitation of the U.S. Government, a university, or other recognized educational institution located in the United States, for the primary purpose of teaching or engaging in research, or both, at a university or other recognized educational institution, is exempt from U.S. income tax on income for such teaching or research for a maximum period of 2 years from the date of arrival in the United States. This exemption does not apply to income from research carried on primarily for the private benefit of any person rather than in the public interest.

Pakistan. A professor or teacher who is a resident of Pakistan and who temporarily visits the United States to teach at a university, college, school, or other educational institution for a period not exceeding 2 years is exempt from U.S. income tax on the income received for teaching for that period.

Poland. An individual who is a resident of the Polish People's Republic on the date of ar-

rival in the United States and who is temporarily in the United States at the invitation of the U.S. Government, a university, or other recognized educational institution located in the United States, for the primary purpose of teaching or engaging in research, or both, at a university or other recognized educational institution, is exempt from U.S. income tax on income for such teaching or research for a maximum period of 2 years from the date of arrival in the United States. This exemption does not apply to income from research carried on primarily for the private benefit of any person rather than in the public interest.

Romania. An individual who is a resident of the Socialist Republic of Romania on the date of arrival in the United States and who is temporarily in the United States at the invitation of the U.S. Government, a university, or other recognized educational institution located in the United States, for the primary purpose of teaching or engaging in research, or both, at a university or other recognized educational institution, is exempt from U.S. income tax on income for such teaching or research for a maximum period of 2 years from the date of arrival in the United States. This exemption does not apply to income from research carried on primarily for the private benefit of any person rather than in the public interest.

Rwanda. A professor or teacher who is a citizen of Rwanda may qualify for exemption from U.S. income tax on income received for teaching in the United States at a university, college, school, or other teaching establishment for a maximum period of 2 years. To qualify, the individual must teach while visiting the United States for that purpose within the framework of an agreement between the Government of Rwanda, and the U.S. Government or between teaching establishments in Rwanda and the United States under which professors and teachers of each country visit the other to teach.

Seychelles. Professors or teachers from Seychelles who visit the United States to teach at a university, college, school, or other educational institution for a period not exceeding 2 years are exempt from U.S. income tax on the income received from teaching.

Sierra Leone. Professors or teachers from Sierra Leone who visit the United States to teach at a university, college, school, or other educational institution for a period not exceeding 2 years are exempt from U.S. income tax on the income received from teaching.

South Africa, Republic of. A professor or teacher from the Republic of South Africa who visits the United States to teach at a university, college, school, or other educational institution for a period not exceeding 2 years is exempt from U.S. income tax on the income received for teaching for that period.

Sweden. A resident of Sweden who is temporarily in the United States at the invitation of a university, college, school, or other recognized educational institution located in the United States solely to teach or engage in research, or both, at that educational institution for not more than 2 years from the date of arrival is exempt from U.S. income tax on income for such teaching or research. This exemption does not apply to income for research carried on for the benefit of any person using or disseminating the results of such research for profit. Individuals who qualify for this exemption and also for any of the exemptions discussed later under *Students and Apprentices,* may claim the most favorable exemption.

Switzerland. A professor or teacher who is a resident of Switzerland and temporarily visits the United States to teach at a university, college, school, or other educational institution for a period not exceeding 2 years is exempt from U.S. income tax on the income received for teaching for that period.

Trinidad and Tobago. An individual who is a resident of Trinidad and Tobago on the date of arrival in the United States and who is temporarily in the United States at the invitation of the U.S. Government, a university, or other accredited educational institution located in the United States, for the primary purpose of teaching or engaging in research, or both, at a university or other accredited educational institution, is exempt from U.S. income tax for such teaching or research for a maximum period of 2 years from the date of arrival in the United States. This exemption does not apply to income from research carried on primarily for the private benefit of any person rather than in the public interest. Nor does the exemption apply to income in cases where an agreement exists between the Governments of Trinidad and Tobago and the United States for the provision of the services of such individuals.

Union of Soviet Socialist Republics. An individual who is a resident of the Soviet Union on the date of arrival in the United States and who is temporarily in the United States at the invitation of the U.S. Government or an educational or scientific research institution located in the United States, for the primary purpose of teaching, engaging in research, or participating in scientific, technical, or professional conferences is exempt from U.S. income tax on income for teaching, research, or participation in such conferences for a maximum period of 2 years. This exemption does not apply to income from research carried on primarily for the benefit of a private person including a commercial enterprise of the United States or a foreign trade organization of the Soviet Union. The exemption does, however, apply where the research is conducted pursuant to an intergovernmental agreement on cooperation.

The exemption is also extended to journalists and correspondents who are temporarily in the United States for periods not exceeding 2 years and who receive their compensation from abroad. It is not necessary that the journalists or correspondents be invited by the U.S. Government or other appropriate institution, nor does it matter that they are employed by a private person including commercial enterprises and foreign trade organizations.

United Kingdom. An individual who is a resident of the United Kingdom on the date of arrival in the United States and who is in the United States for a period not exceeding 2 years for the primary purpose of teaching or engaging in research at a university, college, or other recognized educational institution, is exempt from U.S. income tax on income for such teaching or research. If the individual's 2-year period is exceeded, the exemption is lost retroactively.

The exemption does not apply to income from research carried on primarily for the private benefit of any person rather than in the public interest.

These provisions do not apply to residents of the following United Kingdom Territories: Antigua, Belize, Dominica, Falkland Islands, Montserrat, St. Christopher, Nevis and Anguilla, St. Lucia, St. Vincent, and the British Virgin Islands. A professor or teacher from one of these territories who visits the United States to teach at a university, college, school, or other educational institution is exempt from U.S. income tax on income received for teaching for a period of 2 years beginning with the date of initial arrival in the United States. The 2-year exemption is not lost if the individual's 2-year stay is exceeded.

Zaire. A professor or teacher who is a citizen of the Democratic Republic of Zaire may qualify for exemption from U.S. income tax on income received for teaching in the United States at a university, college, school, or other teaching establishment for a maximum period of 2 years. To qualify, the individual must teach while visiting the United States for that purpose within the framework of an agreement between the Zaire Government and the U.S. Government or between teaching establishments in Zaire and the United States under which professors and teachers of each country visit the other to teach.

Zambia. Professors or teachers from Zambia who visit the United States to teach at a university, college, school, or other educational institution for a period not exceeding 2 years are exempt from U.S. income tax on the income received for teaching.

Students and Apprentices

Residents of the following countries who are in the United States for the purpose of studying or acquiring technical experience, are exempt from U.S. income tax, under certain conditions, on amounts received from abroad for their maintenance and studies.

This exemption does not apply to the salary paid by a foreign corporation to one of its executives, a citizen and resident of a foreign country who is temporarily in the United States to study a particular industry for an employer. Such amount is a continuation of salary and is not received for the purpose of studying or acquiring experience.

For each country listed there is a statement of the conditions under which the exemption applies to students and apprentices from that country.

Austria. A resident of Austria who is temporarily in the United States solely as a student at a university, college, school, or other educational institution is exempt from U.S. income tax on amounts received from abroad for study and maintenance. An apprentice (including Volontaere and Praktikanten) who is a resident of Austria and is temporarily in the United States exclusively to acquire business or technical experience is also exempt from U.S. income tax on such amounts from abroad.

A resident of Austria who receives a grant, allowance, or award from a nonprofit religious, scientific, literary, or educational organization is exempt from U.S. income tax on such payments from that organization. Compensation for personal services is not exempt.

A resident of Austria who is an employee of an Austrian enterprise, or an organization of the kind mentioned in the preceding paragraph, is exempt from U.S. income tax on pay from abroad paid by that enterprise or organization if two conditions are met. First, the individual must be temporarily in the United States for a period not exceeding one year solely to acquire technical, professional, or business experience from any person other than the enterprise or organization by which employed. Second, the annual income for services, wherever performed, may not exceed $10,000.

Barbados. A student or business apprentice from Barbados who is receiving full-time education or training in the United States is exempt from U.S. income tax on payments received from persons in Barbados for maintenance, education, or training.

Belgium. An individual who is a resident of Belgium on the date of arrival in the United States and who is temporarily in the United States for the primary purpose of studying at a university or other recognized educational institution in the United States, securing professional training, or studying or doing research as a recipient of a grant, allowance, or award from a government, religious, charitable, scientific, literary, or educational organization is exempt from U.S. income tax on the following amounts:

1) Gifts from abroad for maintenance, education, study, research, or training,
2) A grant, allowance, or award, and
3) Income from personal services performed in the United States up to $2,000 for each tax year.

An individual is entitled to the benefit of this exemption for a maximum period of 5 years.

An individual who is a resident of Belgium on the date of arrival in the United States and who is in the United States as an employee of, or under contract with, a resident of Belgium is exempt from U.S. income tax for a period of 12 consecutive months on income received for the performance of personal services in the maximum amount of $5,000 if ***either*** of two requirements are met:

1) The individual is in the United States for the primary purpose of acquiring technical, professional, or business experience from a person other than that resident of Belgium, or other than a person related to that resident, or
2) The individual is in the United States for the primary purpose of studying at an educational institution.

An individual who is a resident of Belgium at the beginning of a visit to the United States, and who is temporarily present in the United States for a period not exceeding one year, as a participant in a program sponsored by the U.S. Government, for the primary purpose of training, research, or study, is exempt from U.S. income tax on income received for personal services for such training, research, or study, in the amount of $10,000.

Burundi. A student or apprentice who is a citizen of Burundi residing in the United States exclusively to study or acquire experience is exempt from U.S. income tax on remittances from abroad for maintenance or studies.

Canada. A student or business apprentice from Canada who resides in the United States to study or acquire business experience is exempt from U.S. income tax on amounts received from Canada for maintenance and studies.

Denmark. A student or apprentice who is a citizen of Denmark and resides in the United States solely to study or acquire business experience is exempt from U.S. income tax on amounts (other than student's own income) from abroad for maintenance and studies.

Finland. An individual who is a resident of Finland on the date of arrival in the United States and who is temporarily in the United States for the primary purpose of studying at a university or other accredited educational institution in the United States, securing professional training, or studying or doing research as a recipient of a grant, allowance, or award from a governmental, religious, charitable, scientific, literary, or educational organization is exempt from U.S. income tax on the following amounts:

1) Gifts from abroad for maintenance, education, study, research, or training,
2) A grant, allowance, or award, and
3) Income from personal services performed in the United States up to $2,000 each tax year.

An individual is entitled to the benefit of this exemption for a maximum period of 5 tax years.

An individual who is a resident of Finland on the date of arrival in the United States and who is in the United States as an employee of, or under contract with, a resident of Finland is exempt from U.S. income tax on income received for the performance of personal services for a period of 12 consecutive months in the maximum amount of $5,000 if ***either*** of two requirements are met:

1) The individual is in the United States for the primary purpose of acquiring technical, professional, or business experience from a person other than a resident of Finland, a Finnish corporation, or other corporation 50% or more of the voting stock of which is owned by a resident of Finland, or
2) The individual is in the United States for the primary purpose of studying at an educational institution.

Also exempt is a resident of Finland who is present in the United States for a period not exceeding one year, as a participant in a program sponsored by the U.S. Government, for the primary purpose of training, research, or study. The individual is exempt from tax on income from personal services performed in the United States and received for such training, research, or study, in the maximum amount of $10,000.

France. An individual who is a resident of France on the date of arrival in the United States and who is temporarily in the United States for the primary purpose of studying at a university or other accredited educational institution in the United States, securing professional training, or studying, or doing research as a recipient of a grant, allowance, or award from a governmental, religious, charitable, scientific, literary, or educational organization is exempt from U.S. income tax on the following amounts:

1) Gifts from abroad for maintenance, education, study, research, or training,
2) A grant, allowance, or award, and
3) Income from personal services performed in the United States up to $2,000 each tax year.

An individual is entitled to the benefit of this exemption for a maximum period of 5 tax years.

An individual who is a resident of France on the date of arrival in the United States and who is in the United States as an employee of, or under contract with, a resident of France is exempt from U.S. income tax on income received for the performance of personal services for one tax year in the maximum amount of $5,000 if ***either*** of two requirements are met:

1) The individual is in the United States for the primary purpose of acquiring technical, professional, or business experience from a person other than that resident of France or a corporation 50% or more of the voting stock of which is owned by that resident of France, or
2) The individual is in the United States for the primary purpose of studying at an educational institution.

Gambia. A student or business apprentice from Gambia who is receiving full-time education or training in the United States is exempt

from U.S. income tax on payments received from persons in Gambia for maintenance, education, or training.

Germany, Federal Republic of. A resident of the Federal Republic who is temporarily in the United States solely as a student at a university, college, school, or other educational institution is exempt from U.S. income tax on amounts received from abroad for study and maintenance. An apprentice (including Volontaere and Praktikanten) who is a resident of the Federal Republic and is temporarily in the United States solely to acquire business or technical experience is exempt from U.S. income tax on amounts received from abroad for study and maintenance.

A resident of the Federal Republic who receives a grant, allowance, or award from a nonprofit religious, charitable, scientific, literary, or educational organization is exempt from U.S. income tax on such payments from the organization, other than income for personal services.

A resident of the Federal Republic who is an employee of an enterprise of the Federal Republic or an organization of the kind mentioned in the preceding paragraph is exempt from U.S. income tax on pay from that enterprise or organization if two conditions are met. First, the individual must be temporarily in the United States for a period not exceeding one year solely to acquire technical, professional, or business experience from any person other than that enterprise or organization, and second, the annual pay for services, wherever performed, does not exceed $10,000.

Greece. A student or business apprentice who is a resident of Greece and is temporarily in the United States solely to study or acquire business experience is exempt from U.S. income tax on amounts received from sources outside the United States for maintenance or studies.

Grenada. A student or business apprentice from Grenada who is receiving full-time education or training in the United States is exempt from U.S. income tax on payments received from persons in Grenada for maintenance, education, or training.

Hungary. An individual who is a resident of Hungary immediately before arrival in the United States and is here for full-time education or training is exempt from U.S. income tax on payments received from outside the United States for the individual's maintenance, education, or training.

The full-time student or trainee may instead choose to be treated as a resident alien of the United States for U.S. income tax purposes. Once made, the choice applies for the entire period that the individual remains qualified for exemption as a full-time student or trainee and may not be changed unless permission is obtained from the U.S. competent authority.

Iceland. An individual who is a resident of Iceland on the date of arrival in the United States and who is temporarily in the United States for the primary purpose of studying at a university or other recognized educational institution in the United States, securing professional training, or studying or doing research as a recipient of a grant, allowance, or award from a government, religious, charitable, scientific, literary, or educational organization is exempt from U.S. income tax on the following amounts:

1) Gifts from abroad for maintenance, education, study, research, or training,
2) A grant, allowance, or award, and
3) Income from personal services performed in the United States up to $2,000 each tax year.

An individual is entitled to the benefit of this exemption for a maximum period of 5 years.

An individual who is a resident of Iceland on the date of arrival in the United States and who is temporarily in the United States as an employee of, or under contract with, a resident of Iceland is exempt from U.S. income tax for a period of 12 consecutive months on income received for the performance of personal services in the maximum amount of $5,000 if ***either*** of two requirements are met:

1) The individual is in the United States for the primary purpose of acquiring technical, professional, or business experience from a person other than that resident of Iceland, or
2) The individual is in the United States for the primary purpose of studying at an educational institution.

An individual who is a resident of Iceland at the beginning of a visit to the United States, and who is temporarily present in the United States for a period not exceeding one year, as a participant in a program sponsored by the U.S. Government, for the primary purpose of training, research, or study, is exempt from U.S. income tax on income received for personal services for such training, research, or study, in the maximum amount of $10,000.

Ireland. A student or business apprentice from Ireland who is receiving full-time education or training in the United States is exempt from U.S. income tax on payments received from persons in Ireland for maintenance, education, or training.

Italy. A student or business apprentice who is a resident of Italy, but not a citizen of the United States, and is temporarily in the United States solely for study or training is exempt from U.S. income tax on amounts received from residents of Italy for maintenance, education, and training.

Jamaica. A student or business apprentice from Jamaica who is receiving full-time education or training in the United States is exempt from U.S. income tax on payments received from persons in Jamaica for maintenance, education, or training.

Japan. An individual who is a resident of Japan on the date of arrival in the United States and who is temporarily in the United States for the primary purpose of studying at a university or other accredited educational institution in the United States, securing professional training, or studying or doing research as a recipient of a grant, allowance, or award from a governmental, religious, charitable, scientific, literary, or educational organization is exempt from U.S. income tax on the following amounts:

1) Gifts from abroad for maintenance, education, study, research, or training,
2) A grant, allowance, or award, and
3) Income from personal services performed in the United States up to $2,000 each tax year.

An individual is entitled to the benefit of this exemption for a maximum period of 5 years.

An individual who is a resident of Japan on the date of arrival in the United States and who is in the United States as an employee of, or under contract with, a resident of Japan is exempt from U.S. income tax for a period of 12 consecutive months on income received for the performance of personal services in the maximum amount of $5,000 if ***either*** of two requirements are met:

1) The individual is in the United States for the primary purpose of acquiring technical, professional, or business experience from a person other than that resident of Japan, or
2) The individual is in the United States for the primary purpose of studying at an educational institution.

An individual who is a resident of Japan at the beginning of a visit to the United States, and who is temporarily present in the United States for a period not exceeding one year, as a participant in a program sponsored by the U.S. Government, for the primary purpose of training, research, or study, is exempt from U.S. income tax on income received for personal services for such training, research, or study, in the amount of $10,000.

Korea. An individual who is a resident of Korea on the date of arrival in the United States and who is temporarily in the United States for the primary purpose of studying at a university or other recognized educational institution in the United States, or securing professional training, or studying or doing research as a recipient of a grant, allowance, or award from a governmental, religious, charitable, scientific, literary, or educational organization is exempt from U.S. income tax on the following amounts:

1) Amounts from abroad for maintenance, education, study, research, or training,
2) The grant, allowance, or award, and
3) Income from personal services performed in the United States up to $2,000 each tax year.

An individual is entitled to the benefit of this exemption for a maximum period of 5 years.

An individual who is a resident of Korea on the date of arrival in the United States and who is temporarily in the United States as an employee of, or under contract with, a resident of Korea is exempt from U.S. income tax for a period of one year on income received for the performance of personal services in the maximum amount of $5,000 if ***either*** of two requirements is met:

1) The individual is in the United States for the primary purpose of acquiring technical, professional, or business experience from a person other than that resident of Korea, or
2) The individual is in the United States for the primary purpose of studying at an educational institution.

An individual who is a resident of Korea at the beginning of a visit to the United States, and who is temporarily present in the United States for a period not exceeding one year, as a participant in a program sponsored by the U.S. Government for the primary purpose of training, research, or study, is exempt from U.S. income tax on income received for personal services for such training, research, or study, in the maximum amount of $10,000.

Luxembourg. Certain residents of Luxembourg are exempt from U.S. income tax on income received from abroad for employment, or amounts received from abroad for their maintenance, education, or training if they are temporarily in the United States. To qualify for this exemption they must be temporarily in the United States solely as:

1) Students at a university, college, school, or other recognized educational institution, or
2) Business apprentices for not more than one year, or
3) Recipients of a grant, allowance, or award from a religious, charitable, scientific, literary, or educational organization for the primary purpose of study or research.

Certain other residents of Luxembourg who are temporarily in the United States for not more than one year are exempt from U.S. income tax for that period on pay, including that from an employer abroad, not exceeding $5,000. To qualify for this exemption they must be employees of, or under contract with, a Luxembourg enterprise or religious, charitable, scientific, literary, or educational organization and be in the United States solely to acquire technical, professional, or business experience from a person other than such enterprise or organization.

Residents of Luxembourg are also exempt from U.S. income tax on certain income if they are in the United States for not more than one year solely for training, research, or study under an arrangement with the U.S. Government. The income that is exempt in this case is that received for services directly related to such training, research, or study and includes pay from their employer abroad. The amount exempt may not exceed $10,000.

An individual who qualifies for exemption under more than one provision of the preceding paragraphs, or under the provisions discussed under *Personal Services* or *Professors, Teachers, and Researchers* is entitled to claim the most favorable exemption.

Malawi. A student or business apprentice from Malawi who is receiving full-time education or training in the United States is exempt from U.S. income tax on payments received from persons in Malawi for maintenance, education, or training.

Netherlands. A resident of the Netherlands who is temporarily in the United States for the primary purpose of studying at an accredited educational institution, engaging in research of an educational nature, or securing training in a professional speciality is exempt from U.S. income tax on certain amounts received. The individual is exempt from tax on gifts from abroad for maintenance, education, study, research, or training; a grant, allowance, or award by a government, educational institution, or nonprofit organization; and income from personal services performed in the United States up to $2,000 in any tax year. These benefits extend for no more than 5 tax years.

A resident of the Netherlands who is present in the United States as an employee of, or under contract with, a resident or corporation of the Netherlands to study or secure technical, professional, or business training is exempt from U.S. income tax for one tax year to the extent of $5,000 if ***either*** of two requirements are met:

1) The individual is in the United States for the primary purpose of acquiring technical, professional, or business experience from a person other than that Netherlands resident or corporation, or a corporation 50% or more of the voting stock of which is owned by the Netherlands corporation, or
2) The individual is studying at a university or other accredited educational institution in the United States.

Netherlands Antilles. Students or business apprentices of the Netherlands Antilles who reside in the United States exclusively to study or acquire business experience are exempt from U.S. income tax on payments from abroad for their maintenance or studies.

New Zealand. A student or business or trade apprentice, normally a resident of New Zealand, who is receiving full-time education or training in the United States is exempt from U.S. income tax on payments received from persons in New Zealand for maintenance, education, or training.

Norway. An individual who is a resident of Norway on the date of arrival in the United States and who is temporarily in the United States for the primary purpose of studying at a university or other recognized educational institution in the United States, securing professional training, or studying or doing research as a recipient of a grant, allowance, or award from a governmental, religious, charitable, scientific, literary, or educational organization is exempt from U.S. income tax on the following amounts:

1) Gifts from abroad for maintenance, education, study, research, or training,
2) A grant, allowance, or award, and
3) Income from personal services performed in the United States up to $2,000 each tax year.

An individual is entitled to the benefit of this exemption for a maximum period of 5 tax years.

An individual who is a resident of Norway on the date of arrival in the United States and who is in the United States as an employee of, or under contract with, a resident of Norway, for the primary purpose of:

1) Acquiring technical, professional, or business experience from a person other than that resident of Norway or other than a person related to that resident of Norway, or
2) Studying at an educational institution,

is exempt from U.S. income tax on income received for the performance of personal services for a period of 12 consecutive months in the maximum amount of $5,000.

Also exempt is a resident of Norway who is present in the United States for a period not exceeding one year, as a participant in a program sponsored by the Government of the United States, for the primary purpose of training, research, or study. The individual is exempt from tax on income from personal services performed in the United States and received for such training, research, or study, in the maximum amount of $10,000.

Pakistan. Certain residents of Pakistan temporarily in the United States are exempt from U.S. income tax on certain income they may receive. To be entitled to this exemption they must be in the United States solely as students at a recognized university, college or school, or as recipients of grants, allowances, or awards from religious, charitable, scientific, or educational organizations of Pakistan for the primary purpose of study or research. The income exempt in such cases are payments from abroad for maintenance, education, or training, and pay for personal services not in excess of $5,000 for any tax year.

Certain other residents of Pakistan who are temporarily in the United States for not more than one year are exempt from U.S. income tax on pay of not more than $6,000 received for that period, including pay from the enterprise or organization of which they are employees or with which they are under contract. To qualify for this exemption, they must be employees of, or under contract with, a Pakistani enterprise or religious, charitable, scientific, or educational organization and be in the United States solely to acquire technical, professional, or business experience from a person other than such enterprise or organization.

Also exempt from U.S. income tax on certain income are residents of Pakistan temporarily in the United States under an

arrangement with the U.S. Government, or any of its agencies or instrumentalities, solely for study, training, or orientation. They are exempt from tax on income not in excess of $10,000 for services directly related to their training, study, or orientation, including income from their employer abroad.

Poland. An individual who is a resident of the Polish People's Republic on the date of arrival in the United States and who is temporarily in the United States for the primary purpose of studying at a university or other recognized educational institution in the United States, securing professional training, or studying or doing research as a recipient of a grant, allowance, or award from a governmental, religious, charitable, scientific, literary, or educational organization is exempt from U.S. income tax on the following amounts:

1) Gifts from abroad for maintenance, education, study, research, or training,
2) A grant, allowance, or award,
3) Any other payments received from the Polish People's Republic, except income from the performance of personal services, and
4) Income from personal services performed in the United States up to $2,000 each tax year.

An individual is entitled to the benefit of this exemption for a maximum period of 5 years.

An individual who is a resident of Poland on the date of arrival in the United States and who is temporarily in the United States as an employee of, or under contract with, a resident of Poland is exempt from U.S. income tax for a period not exceeding one year on income received for the performance of personal services in the maximum amount of $5,000 if ***either*** of two requirements are met:

1) The individual is in the United States for the primary purpose of acquiring technical, professional, or business experience from a person other than that resident of Poland, or
2) The individual is in the United States for the primary purpose of studying at an educational institution.

An individual who is a resident of Poland at the beginning of a visit to the United States, and who is temporarily present in the United States for a period not exceeding one year, as a participant in a program sponsored by the U.S. Government, for the primary purpose of training, research, or study, is exempt from U.S. income tax on income received for personal services for such training, research, or study, in the maximum amount of $10,000.

Romania. An individual who is a resident of the Socialist Republic of Romania on the date of arrival in the United States and who is temporarily in the United States for the primary purpose of studying at a university or other recognized educational institution in the United States, securing professional training, or studying or doing research as a recipient of a grant, allowance, or award from a governmental, religious, charitable, scientific, literary, or educational organization is exempt from U.S. income tax on the following amounts:

1) Gifts from abroad for maintenance, education, study, research, or training,
2) A grant, allowance, or award, and
3) Income from personal services performed in the United States up to $2,000 each tax year.

An individual is entitled to the benefit of this exemption for a maximum period of 5 years.

An individual who is a resident of Romania on the date of arrival in the United States and who is temporarily in the United States as an employee of, or under contract with, a resident of Romania is exempt from U.S. income tax for a period not exceeding one year on income received for the performance of personal services in the maximum amount of $5,000 if ***either*** of two requirements is met:

1) The individual is in the United States for the primary purpose of acquiring technical, professional, or business experience from a person other than that resident of Romania, or
2) The individual is in the United States for the primary purpose of studying at an educational institution.

An individual who is a resident of Romania at the beginning of a visit to the United States, and who is temporarily present in the United States for a period not exceeding one year, as a participant in a program sponsored by the U.S. Government, for the primary purpose of training, research, or study, is exempt from U.S. income tax on income received for personal services for such training, research, or study, in the maximum amount of $10,000.

Rwanda. A student or apprentice who is a citizen of the Republic of Rwanda residing in the United States solely to study or acquire experience is exempt from U.S. income tax on payments from abroad for maintenance or studies.

Seychelles. A student or business apprentice from Seychelles who is receiving full-time education or training in the United States is exempt from U.S. income tax on payments received from persons in Seychelles for maintenance, education, or training.

Sierra Leone. A student or business apprentice from Sierra Leone who is receiving full-time education or training in the United States is exempt from U.S. income tax on payments received from persons in Sierra Leone for maintenance, education, or training.

South Africa, Republic of. A student or business apprentice from the Republic of South Africa who resides in the United States to study or acquire business experience is exempt from U.S. income tax on payments from within the Republic of South Africa for maintenance and studies.

Sweden. A resident of Sweden is exempt from U.S. income tax on amounts received from abroad as income for employment or payments for maintenance, education, or training if temporarily in the United States solely as:

1) A student at a recognized university, college, or school, or
2) A business apprentice, or
3) The recipient of a grant, allowance, or award from a religious, charitable, scientific, or educational organization for the purpose of study or research.

A resident of Sweden is also exempt from U.S. income tax on certain pay if temporarily present in the United States solely for training, research, or study under an arrangement with the U.S. Government. The pay exempt in this case is that received for services directly related to such training, research, or study, and includes wages from an employer abroad. Such pay is exempt only if it does not exceed $10,000.

A resident of Sweden who qualifies under more than one of these exemptions or any of these exemptions and also the exemption previously discussed under *Professors, Teachers, and Researchers*, may claim the one most favorable.

Switzerland. A student or apprentice who is a resident of Switzerland and temporarily visits the United States solely to study or acquire business or technical experience is exempt from U.S. income tax on payments from abroad for maintenance or studies.

Trinidad and Tobago. An individual who is a resident of Trinidad and Tobago on the date of arrival in the United States and who is temporarily in the United States for the primary purpose of studying at a university or other accredited educational institution in the United States, securing professional training, or studying or doing research as a recipient of a grant, allowance, or award from a governmental, religious, charitable, scientific, literary, or educational organization is exempt from U.S. income tax on the following amounts:

1) Gifts from abroad for maintenance, education, study, research, or training,
2) A grant, allowance, or award, and
3) Income from personal services performed in the United States up to $2,000 each tax year; or if such individual is securing training required to qualify to practice a profession or a professional specialty, a maximum of $5,000 for any taxable year.

An individual is entitled to the benefit of this exemption for a maximum period of 5 tax years.

An individual who is a resident of Trinidad and Tobago on the date of arrival in the United States and who is in the United States as an employee of, or under contract with, a resident or corporation of Trinidad and Tobago is exempt from U.S. income tax on income received for the performance of personal services for one tax year in the maximum amount of $5,000 if ***either*** of two requirements are met:

1) The individual is in the United States for the primary purpose of studying at an educational institution, or

2) The individual is in the United States for the primary purpose of acquiring technical, professional, or business experience from a person other than that resident or corporation of Trinidad and Tobago.

Also exempt is a resident of Trinidad and Tobago who is present in the United States for a period not exceeding one year, as a participant in a program sponsored by the Government of the United States, for the primary purpose of training, research, or study. The individual is exempt from tax on income from personal services performed in the United States and received in respect of such training, research, or study, in the maximum amount of $10,000.

Union of Soviet Socialist Republics. An individual who is a resident of the Soviet Union and who is temporarily present in the United States for the primary purpose of studying at an educational or scientific research institution or for the purpose of securing training for qualification in a profession or specialty is exempt from U.S. income tax on amounts received as stipends, scholarships, or other substitute allowances necessary to provide ordinary living expenses. An individual is entitled to the benefit of this exemption for a maximum period of 5 years and in a maximum amount of $10,000 in each tax year.

An individual who is a resident of the Soviet Union and who is temporarily present in the United States for the primary purpose of acquiring technical, professional, or commercial experience or performing technical services, and who is an employee of, or under contract with, a resident of the Soviet Union is exempt from U.S. income tax on the amounts received from that Soviet Union resident. Also exempt are amounts received from U.S. sources, not to exceed $10,000, which are necessary to provide for ordinary living expenses. The exemption contained in this paragraph is limited to one year.

An individual who is a resident of the Soviet Union and who is temporarily present in the United States under an exchange program provided for by an agreement between governments on cooperation in various fields of science and technology is exempt from U.S. income tax on all income received in connection with the exchange program for a period not to exceed one year.

United Kingdom. A student or business apprentice who is a resident of the United Kingdom at the time of arrival in the United States and who is receiving full-time education or training in the United States is exempt from U.S. income tax on payments received from abroad for maintenance, education, or training.

A similar exemption is available to residents of the United Kingdom Territories of Antigua, Belize, Dominica, Falkland Islands, Montserrat, St. Christopher, Nevis and Anguilla, St. Lucia, St. Vincent, and the British Virgin Islands. The payments, however, must be received from persons resident in the same territory as the student or business apprentice.

Zaire. A student or apprentice who is a citizen of the Republic of Zaire residing in the United States solely to study or acquire experience is exempt from U.S. income tax on payments from abroad for maintenance or studies.

Zambia. A student or business apprentice from Zambia who is receiving full-time education or training in the United States is exempt from U.S. income tax on payments received from persons in Zambia for maintenance, education, or training.

Wages and Salaries Paid by a Foreign Government

Wages, salaries, pensions, and annuities paid by the governments of the following countries are generally exempt from U.S. income tax. For each of the countries listed there are stated the conditions under which the income is exempt.

Austria. Wages, salaries, and similar income and pensions paid by Austria, Bundeslaender, districts or municipalities, or other public corporations, or a public pension fund, to an individual (other than a citizen of the United States or an individual admitted to the United States for permanent residence) are exempt from U.S. income tax.

Barbados. Salaries, wages, and similar income or pensions paid by the Government of Barbados for services rendered in discharging governmental functions are exempt from U.S. income tax. Payments to an individual who is a citizen of the United States are exempt only if that individual is also a citizen of Barbados. The exemption does not apply to payments for services connected with any trade or business carried on by Barbados for profit.

Belgium. Wages, salaries, and similar income, and pensions and annuities paid by Belgium, or its political subdivisions and local authorities, to citizens of Belgium (or to citizens of countries other than the United States or Belgium who come to the United States and are employed by Belgium, or its political subdivisions and local authorities) are exempt from U.S. tax.

Burundi. Wages, salaries, and similar income, and pensions and annuities paid by the Republic of Burundi, or its political subdivisions and territories, to citizens of Burundi residing in the United States are exempt from U.S. income tax. It is immaterial that the individual is also a citizen of the United States.

Canada. Wages, salaries, and similar income (other than pensions) paid by Canada or by any of its agencies, instrumentalities, or political subdivisions to an individual (other than a citizen of the United States) for services rendered in the discharge of governmental functions are exempt from U.S. income tax. This exemption does not apply, however, to payments for services rendered in connection with a trade or business carried on for profit by Canada or its agencies, instrumentalities, or political subdivisions.

Income from sources outside the United States received by a member of the Canadian forces or by a Canadian citizen (including the spouse or minor children of such member or citizen) serving or employed by the Government of Canada at defense establishments in the United States is exempt from United States income taxes.

Denmark. Wages, salaries, and similar income and pensions paid by Denmark, or any public authority in Denmark, to individuals residing in the United States are exempt from U.S. income tax. This exemption does not apply to citizens of the United States or alien residents of the United States.

Finland. Income, including pensions, paid by or from public funds of the Republic of Finland, a subdivision, a local authority, or a public community thereof to a citizen of Finland in the United States for services rendered to Finland (or to a subdivision, local authority or public community of Finland) in the discharge of governmental functions is exempt from U.S. tax.

France. Income, including pensions, paid by the French Government or one of its political subdivisions or a local authority thereof to a French national in the United States for services rendered to France (or to a political subdivision or a local authority of France) in the discharge of governmental functions is exempt from U.S. tax. This exemption does not apply to any income or pensions paid because of services (or past services) rendered in connection with any industrial or commercial activity carried on by the French Government (or a political subdivision or local authority thereof). The taxability of such income paid to a French national is determined according to rules under *Personal Services.*

Gambia. Salaries, wages, and similar income or pensions paid by the Government of Gambia for services rendered in discharging governmental functions are exempt from U.S. income tax. Payments to an individual who is a citizen of the United States are exempt only if that individual is also a citizen of Gambia. The exemption does not apply to payments for services connected with any trade or business carried on by Gambia for profit.

Germany, Federal Republic of. Wages, salaries, and similar income and pensions paid by the Federal Republic, Laender or municipalities, or public pension funds are exempt from U.S. income tax if paid to individuals other than U.S. citizens and other than individuals admitted to the United States for permanent residence.

Greece. Wages, salaries, and similar income and pensions paid by Greece or its subdivisions to individuals residing in the United States, for services rendered to Greece or its

subdivisions are exempt from U.S. income tax. This exemption does not apply to citizens of the United States or alien residents of the United States.

Grenada. Salaries, wages, and similar income or pensions paid by the Government of Grenada for services rendered in discharging governmental functions are exempt from U.S. income tax. Payments to an individual who is a citizen of the United States are exempt only if that individual is also a citizen of Grenada. The exemption does not apply to payments for services connected with any trade or business carried on by Grenada for profit.

Hungary. Income (other than a pension) paid by the People's Republic of Hungary or its political subdivisions for labor or personal services performed in the United States for the paying governmental body is exempt from U.S. tax unless the income is paid to a U.S. resident:

1) Who is a U.S. citizen, or
2) Who did not become a resident alien of the United States solely for the purpose of performing the services.

Iceland. Wages, salaries, and similar income, including pensions or similar benefits, paid by or from public funds of the Republic of Iceland, a political subdivision, or a local authority to a citizen of Iceland (other than a U.S. citizen or one admitted to the United States for permanent residence) for labor or personal services rendered to Iceland or its political subdivisions or local authorities in the discharge of governmental functions is exempt from U.S. tax.

Ireland. Salaries, wages, and similar income and pensions paid by the Government of Ireland to an individual, other than a citizen of the United States, for services rendered to it in discharge of its governmental functions are exempt from U.S. income tax. Such payments received by an individual who is a citizen of the United States are similarly exempt only if that individual is also a citizen of Ireland. This exemption does not apply to payments for services rendered in connection with any trade or business carried on by the Government of Ireland for profit.

Italy. Wages, salaries, and similar income and pensions paid by Italy or a political subdivision or territory of that country to an individual (other than a citizen of the United States or an individual who has permanent residence status in the United States) are exempt from U.S. income tax.

Jamaica. Salaries, wages, and similar income or pensions paid by the Government of Jamaica for services rendered in discharging governmental functions are exempt from U.S. income tax. Payments to an individual who is a citizen of the United States are exempt only if that individual is also a citizen of Jamaica. The exemption does not apply to payments for services connected with any trade or business carried on by Jamaica for profit.

Japan. Salaries, wages, and similar income, including pensions or similar benefits, paid by Japan, or paid out of funds to which Japan, or any of its local authorities, contributes to an individual who is a national of Japan (other than a U.S. citizen or one admitted to the United States for permanent residence) for labor or personal services rendered as an employee of the Government of Japan or any of its local authorities, are exempt from U.S. income tax.

Korea. Wages, salaries, and similar income, including pensions or similar benefits, paid from public funds of the Republic of Korea to a citizen of Korea (other than a U.S. citizen or an individual admitted to the United States for permanent residence) for services performed as an employee of Korea discharging government functions is exempt from U.S. income tax.

Luxembourg. Wages, salaries, and similar income paid by Luxembourg or its political subdivisions, or its compulsory social security funds to certain individuals for services rendered to Luxembourg, or its political subdivisions in discharge of governmental functions, are exempt from U.S. income tax. Such amounts are exempt only if paid to individuals other than U.S. citizens or individuals admitted to the United States for permanent residence.

Malawi. Salaries, wages, and similar income or pensions paid by the Government of Malawi for services rendered in discharging governmental functions are exempt from U.S. income tax. Payments to an individual who is a citizen of the United States are exempt only if that individual is also a citizen of Malawi. The exemption does not apply to payments for services connected with any trade or business carried on by Malawi for profit.

Netherlands. Wages, salaries, and similar income and pensions, annuities, or similar benefits paid by, or out of funds created by, the Netherlands, or a political subdivision of the Netherlands, to individuals who are citizens of the Netherlands for services rendered to the Netherlands or to any of its political subdivisions in the discharge of governmental functions are exempt from U.S. income tax.

Netherlands Antilles. Wages, salaries, and similar income and life annuities paid directly by or from funds created by the Netherlands Antilles, or a political subdivision or territory of the Netherlands Antilles, to individuals in the United States are exempt from U.S. income tax. A citizen of the United States is not entitled to this exemption unless also a citizen of the Netherlands Antilles.

New Zealand. Salaries, wages, and similar income (other than pensions) paid by the Government of New Zealand to an individual (other than a citizen of the United States) for services rendered to New Zealand in the discharge of its governmental functions are exempt from U.S. income tax. This exemption does not apply to payments for services rendered in connection with any trade or business carried on for profit by the Government of New Zealand.

Norway. Wages, salaries, and similar income and pensions paid directly by or from funds or institutions created by Norway or Norwegian communities or counties (fylker) to a citizen of Norway for labor or personal services performed for Norway, or any of its political subdivisions or local authorities in the discharge of governmental functions are exempt from U.S. income tax.

Pakistan. Income, including pensions and annuities, paid to certain individuals by or on behalf of the Government of Pakistan, or the Government of a Province in Pakistan or one of their local authorities, for services rendered in the discharge of functions of that Government or local authority is exempt from U.S. income tax. To be exempt from tax, these payments must be made to citizens of Pakistan who do not have immigrant status in the United States. This exemption does not apply to payments for services rendered in connection with any trade or business carried on for profit.

Poland. Wages, salaries, and similar income, including pensions, annuities, or similar benefits, paid from public funds of the Polish People's Republic to a citizen of Poland (other than a U.S. citizen or one admitted to the United States for permanent residence) for labor or personal services performed as an employee of the national government of Poland in the discharge of governmental functions is exempt from U.S. income tax.

Romania. Wages, salaries, and similar income, including pensions, annuities, or similar benefits, paid from public funds of the Socialist Republic of Romania to a citizen of Romania (other than a U.S. citizen or one admitted to the United States for permanent residence) for labor or personal services performed as an employee of the national government of Romania in the discharge of governmental functions is exempt from U.S. income tax.

Rwanda. Wages, salaries, and similar income and pensions and annuities paid by the Republic of Rwanda to citizens of Rwanda residing in the United States are exempt from U.S. income tax. It is immaterial that the individual is also a citizen of the United States.

Seychelles. Salaries, wages, and similar income or pensions paid by the Government of Seychelles for services rendered in discharging governmental functions are exempt from U.S. income tax. Payments to an individual who is a citizen of the United States are exempt only if that individual is also a citizen of Seychelles. The exemption does not apply to payments for services connected with any trade or business carried on by Seychelles for profit.

Sierra Leone. Salaries, wages, and similar income or pensions paid by the Government of Sierra Leone for services rendered in discharging governmental functions are exempt from U.S. income tax. Payments to an individ-

ual who is a citizen of the United States are exempt only if that individual is also a citizen of Sierra Leone. The exemption does not apply to payments for services connected with any trade or business carried on by Sierra Leone for profit.

South Africa, Republic of. Income, other than pensions, for labor or personal services performed in the United States, paid by the Republic of South Africa, or one of its political subdivisions, territories, or possessions, to individuals not ordinarily resident in the United States is exempt from U.S. income tax.

Sweden. Wages, salaries, and similar income and pensions paid by Sweden, or one of its political subdivisions or territories or possessions, to individuals residing in the United States are exempt from U.S. income tax. This exemption does not apply to citizens or resident aliens of the United States.

Switzerland. Wages, salaries, and similar income and pensions paid by Switzerland, or by any of its agencies, instrumentalities, political subdivisions, or other public authorities, to an individual (other than a citizen of the United States) are exempt from U.S. income tax. Such payments received by an individual who is a citizen of the United States are exempt only if the individual is also a citizen of Switzerland.

Trinidad and Tobago. Income, including pensions paid by the Government of Trinidad and Tobago to a national in the United States for services rendered to Trinidad and Tobago in the discharge of governmental functions is exempt from U.S. tax.

Union of Soviet Socialist Republics. Wages, salaries, and similar income paid by the Soviet Union to a U.S.S.R. citizen for personal services performed as an employee of a governmental agency or institution of the Soviet Union (excluding Republic government employees) in the discharge of governmental functions are exempt from U.S. income tax. For this purpose, persons engaged in commercial activities such as employees or representatives of the foreign trade organizations of the U.S.S.R. are not considered as engaged in the discharge of governmental functions.

United Kingdom. Income, other than pensions, paid by the United Kingdom to employees for services rendered in the United States is exempt from U.S. income tax. The exemption does not apply to employees of a political subdivision or local authority of the United Kingdom. The income is taxable in the United States if the employee is a resident of the United States and either is a U.S. citizen, or did not become a resident of the United States solely to perform the services.

The exemption does not apply to payments for services rendered in connection with a business carried on by, or on behalf of, the United Kingdom.

Different provisions apply to employees of the following United Kingdom Territories: Antigua, Belize, Dominica, Falkland Islands, Montserrat, St. Christopher, Nevis and Anguilla, St. Lucia, St. Vincent, and the British Virgin Islands. Salaries, wages, and similar income and pensions paid by the government of one of these territories for services rendered in discharging that government's functions are exempt from U.S. income tax. Payments to an individual who is a citizen of the United States are exempt only if the individual is also a subject of the territory making the payment. The exemption does not apply to payments for services connected with any trade or business carried on by the territory for profit. Nor does the exemption apply to alien residents of the United States.

Zaire. Wages, salaries, and similar income and pensions and annuities paid by the Democratic Republic of Zaire to citizens of Zaire residing in the United States are exempt from U.S. income tax. It is immaterial that the individual is also a citizen of the United States.

Zambia. Salaries, wages, and similar income or pensions paid by the Government of Zambia for services rendered in discharging governmental functions are exempt from U.S. income tax. Payments to an individual who is a citizen of the United States are exempt only if that individual is also a citizen of Zambia. The exemption does not apply to payments for services connected with any trade or business carried on by Zambia for profit.

Withholding of Tax

Income Tax

Generally, individuals and organizations who make payments of U.S. source income to nonresident aliens are required to withhold as income tax a portion of each payment and pay it over to the U.S. Government. When the nonresident alien files an income tax return, the alien will then pay any additional tax due, or will claim a refund if the amount withheld exceeds the correct tax liability.

If you are a nonresident alien and the recipient of a scholarship or a fellowship grant, amounts you receive from which tax must be withheld include (but are not limited to) the following:

1) Pay you receive for services performed in the United States, if not specifically exempted from withholding, is subject to withholding according to the rules that apply to U.S. citizens and residents.
2) Amounts received that are taxable to you (see *If you are a candidate for a degree*) because they represent pay for teaching, doing research, or part-time employment required as a condition for receiving the scholarship or the fellowship grant, are subject to withholding according to the rules that apply to U.S. citizens and residents.
3) The amount of a scholarship or a fellowship grant you receive if you are not a candidate for a degree (see *If you are not a candidate for a degree*) that exceeds $300 times the number of months for which you receive it, is subject to withholding according to rules that only apply to nonresident aliens.
4) The entire scholarship or fellowship grant you receive if you are not a candidate for a degree, after you have been entitled to the $300 exclusion for 36 months, is subject to withholding according to rules that only apply to nonresident aliens.
5) Amounts you receive incident to a scholarship or a fellowship grant for travel, research, clerical help, or equipment, if these amounts are subject to tax because they pertain to the portion of the scholarship or fellowship grant that is subject to tax, or they were not specifically designated to cover such expenses, are subject to withholding according to rules applying only to nonresident aliens. It is immaterial whether you are a candidate for a degree.

Withholding rules. If you are a nonresident alien student on an "F" or "J" visa, are the recipient of a scholarship or fellowship grant, and receive any amount just described in items 3, 4, or 5, tax will be withheld from that amount at the rate of 14% (after allowance of the deduction for personal exemption, prorated on a daily basis for the period during which you receive the amount).

Other amounts representing pay for personal services described in items 1 and 2, are subject to withholding in the same manner as wages of a U.S. citizen or resident alien.

Form W-2 will be furnished to you by each employer after the end of the year showing the total amount of wages paid and the tax withheld during the year.

Social Security Tax

Services performed by a nonresident alien while temporarily in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a) (15) of the Immigration and Nationality Act are excluded from coverage under the social security program if the services are performed to carry out the purpose for which the nonresident alien was admitted to the United States. This means that there will be no withholding of social security tax from the pay received for such services.

However, the types of services that are considered as being performed to carry out the purpose for which such a nonresident alien was admitted to the United States are very limited.

Nonresident alien students. A nonresident alien admitted to the United States as a nonimmigrant student under section 101(a)(15)(F), generally, is not permitted to work for a wage or salary or to engage in business while in the United States. In some cases a student may be granted permission to work, and appropriate notation to that effect will be made on Form I-94. Social security tax will ***not*** be withheld from pay for such work.

In all other cases, including those where Form I-94 is stamped "under docket control", any services performed by such a nonresident alien student will not be considered as per-

formed to carry out the purpose for which the student was admitted to the United States, and social security tax, generally, will be withheld from pay for the services unless the pay is exempt as discussed later under *All nonresident aliens.*

Employment for practical training. The Immigration and Naturalization Service may permit employment for practical training relating to a student's field of study, if it is recommended by the school the student is attending, for periods of 6 months at a time totaling no more than 12 months. When such permission has been granted, there will be noted on the student's Form I-94 "practical training authorized to (date of end of 6-month period)." Social security tax will not be withheld from the student's pay for such services.

On-campus work. Permission of the Immigration and Naturalization Service is not required for on-campus work under the terms of a scholarship, fellowship, or assistantship since it is considered part of the student's academic program if it is related to it and the student is otherwise taking a full course of study. Also permission of the Immigration and Naturalization Service is not required for other on-campus employment offered by the school, which will not displace a United States resident. Therefore, there is no notation on Form I-94 concerning such work, and social security tax will not be withheld from income received for it.

Employment due to economic necessity is sometimes permitted, but requires the prior approval of the Immigration and Naturalization Service. When such approval has been given there is noted on the student's Form I-94 "part-time employment authorized to—." If no date is entered in the notation, the permission to work ends when the student's temporary stay expires.

Nonimmigrant exchange visitors. Nonresident aliens are admitted as nonimmigrant exchange visitors under section 101(a)(15)(J) under the sponsorship of approved organizations and institutions that are responsible for establishing a program for the exchange visitor and for any subsequent modification of that program. Generally, such an exchange visitor who has the permission of the sponsor may work for the same reasons as the students discussed earlier. In such cases, the granting of permission to work is evidenced by a letter from the exchange visitor's sponsor. No notation is made on Form I-94.

Social security tax will not be withheld for an exchange visitor who has been given permission to work and who possesses or obtains a letter of authorization from the sponsor. In all other cases services performed by an exchange visitor will not be considered as performed to carry out the purpose specified in section 101(a)(15)(J) of the Immigration and Nationality Act. Therefore, social security tax will be withheld from the pay for such services unless they are exempt as discussed next under *All nonresident aliens.*

All nonresident aliens. Generally, all income for other services rendered in the United States by nonresident aliens is subject to withholding of social security tax.

Income for the following services performed by all nonresident aliens is exempt from withholding for social security tax:

1) Services performed for a religious, charitable, or educational organization exempt from U.S. income tax, unless the employee concurs in the filing of a certificate by such an organization that it desires to have social security coverage extended to services performed by its employees or the employee is hired after the certificate has been filed,
2) Services performed for a state or local government, except for coverage under an agreement entered into with the U.S. Government,
3) Services performed in the employ of a school, college, or university by an enrolled student regularly attending classes at that institution,
4) Services performed for a foreign government, and
5) Services performed for an international organization.

Withholding rates. For 1980 the social security tax is withheld on the first $25,900 of wages paid, and the rate at which the tax is withheld is 6.13%.

Refunds of social security tax. If social security tax was withheld in error from compensation for services excluded from coverage under the social security program, contact the employer who withheld the tax for reimbursement. However, if you are unable to obtain a refund from your employer, file a claim for refund on Form 843 with the Internal Revenue office in which your employer's returns were filed if known, or if not known, with the Internal Revenue Service Center, Philadelphia, PA 19255.

Railroad Retirement Tax

Services performed by a nonresident alien while temporarily in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a) (15) of the Immigration and Nationality Act are excluded from coverage under the railroad retirement program if the services are performed to carry out the purpose for which the nonresident alien was admitted to the United States. The types of services that are considered as being performed to carry out the purpose for which such a nonresident alien was admitted to the United States are very limited, as discussed previously under *Social Security Tax.*

Certificate of Compliance Required for Departure from the United States

Generally, before departing from the United States or its possessions an alien must obtain a certificate of compliance, commonly known as a ***sailing permit.*** This is a certificate indicating that the alien has complied with all the obligations imposed by the U.S. income tax laws. Such a certificate, or evidence that such certificate is not required, must be presented at the place of departure from the United States.

Exceptions

Aliens who come within one of the following classes are not required to obtain a certificate of compliance when leaving the United States.

Employees of a foreign government or international organization. Representatives of foreign governments bearing diplomatic passports whether accredited to the United States or other countries, members of their household, and servants accompanying them are not required to secure certificates of compliance. If the alien's government does not issue diplomatic passports, but merely indicates on passports issued to members of its service the status of the bearer as a member of such service, those passports are considered diplomatic passports for income tax purposes.

For an employee of an international organization and an employee of a foreign government, other than a diplomatic representative, this exception applies only if the employee has received no income from sources in the United States that is subject to U.S. income tax.

This exception generally does not apply to aliens who have waived their exemption from tax on pay from a foreign government or international organization by filing with the Attorney General of the United States the waiver provided for by section 247(b) of the Immigration and Nationality Act.

A student who enters the United States on an "F" visa is not required to secure a certificate of compliance if, during the period in the United States under that visa, the student received no taxable income from sources in the United States. Allowances to cover expenses incident to study (including expenses for travel, maintenance, and tuition) and the value of any services or accommodations furnished incident to that study in the United States are excluded in determining whether such a student is excepted from the requirement of obtaining a certificate of compliance.

A student admitted to the United States on an "F" visa is one admitted under section 101(a)(15)(F) of the Immigration and Nationality Act.

A trainee who enters the United States on an "H-3" visa is not required to secure a certificate of compliance if, during the period in the United States under that visa, the trainee received no taxable income from sources in the United States. Allowances to cover expenses incident to training (including expenses for travel and maintenance) and the value of any services furnished incident to that training in the United States are excluded in determining whether such a trainee is excepted from the requirement of obtaining a certificate of compliance.

Note: A student admitted to the United States on a ***"J" visa must obtain a certificate of compliance*** when leaving the United States, in accordance with instructions in *Other Nonresident Aliens*, which follows.

Other Nonresident Aliens

A nonresident alien ***having no U.S. source income*** who is required to secure a certificate of compliance (see *Exceptions*, previously discussed) must file Form 2063, *U.S. Departing Alien Income Tax Statement*, with the Internal Revenue office in which located. Upon determining that the nonresident alien is not liable for filing an income tax return or for the payment of any income tax, the Service will issue the certificate of compliance attached to Form 2063. If necessary, however, the certificate of compliance may be obtained from the Internal Revenue office nearest to the alien's point of departure from the United States. Form 2063 may be obtained at most Internal Revenue Service offices.

A nonresident alien ***having U.S. source income*** generally must file a return in duplicate on Form 1040C, *U.S. Departing Alien Income Tax Return*, for the tax year of intended departure, with the District Director for the district in which the alien is living. Report on this form income received and reasonably expected to be received during the entire tax year up to and including the departure date. The individual must file any income tax returns that have not been filed as required.

Upon the filing of such returns and the payment of any tax due, the Service will complete and give to the alien the certificate of compliance on the duplicate copy of the Form 1040C. If necessary, the Form 1040C may be filed with, and the tax paid to, the Internal Revenue office nearest to the alien's point of departure from the United States.

Annual return. Even though an alien has filed Form 1040C for the year of departure, the alien must file a final income tax return for that tax year. Any income tax paid on income shown on the Form 1040C is applied against the tax determined to be due on the final return.

For more detailed information regarding sailing permits, see Publication 519, *U.S. Tax Guide for Aliens*.

Appendix

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I. Know your tax status. Are you a resident alien or a nonresident alien?

1) Why is it important for me to know whether I am a resident alien or a nonresident alien?

So that you will know which tax form to file, where to file, and whom you should ask for advice about tax matters.

2) How may I know whether I am a resident alien or a nonresident alien?

Generally, foreign scholars or teachers who are present in the United States on "F" or "J" visas for less than 2 years are presumed to be nonresident aliens. However, this presumption is rebuttable, depending upon individual intent or other relevant factors.

3) Are the rules for deciding the resident status of students with "F" visas the same as those for "J" visa scholars?

Yes.

4) I have a "J" visa. I am working in the United States on a program that will take from one to two years. What is my tax status for purposes of the U.S. federal income tax law?

You are a nonresident alien because your stay in the United States is limited to a definite period of less than 2 years as set forth in the State Department regulations covering the Exchange Visitor Program.

5) I have a "J" visa and I was not able to finish my program during the 2 year period originally thought adequate. Now I have been given an additional year to finish. Does the extra year affect my tax status, which I have been told was that of a nonresident alien?

You are still a nonresident alien. The fact that you were given a one year extension to complete the program for which you were admitted under a "J" visa will not change your status.

6) I have a "J" visa. I am working in the United States on a program that will take from 3 to 4 years. What is my status for tax purposes?

You are a resident alien because your stay in the United States is for a period of at least 2 years, as set forth in the State Department regulations covering the Exchange Visitor Program.

7) I am a foreign student with an "F" visa and I am studying for a degree at an American university. I expect to be living in the United States continually for at least 2 years. What is my status for tax purposes?

You are a resident alien.

II. Know what kind of income you are receiving.

A. Payment for services rendered, or

B. A qualifying scholarship or fellowship grant.

1) Why is it important to know whether the money I receive is a qualifying scholarship or fellowship grant, or is pay for services rendered?

A qualifying grant gets a tax benefit. It may be fully or partially exempt. Pay for services (wages, salaries, bonuses, fees, honoraria, etc.) is not entitled to the benefit given to a qualifying grant.

2) How do I know if I am receiving a grant that qualifies?

Amounts paid or allowed to or on behalf of individuals to enable them to pursue studies or research qualify as scholarships or fellowship grants:

a) If the primary purpose of the study or research is to further the education and training of the recipients in their individual capacities, and

b) If the amount provided for such purpose does not represent payment for services.

An amount paid or allowed ***will not qualify*** as a scholarship or a fellowship grant:

a) If it represents payment for past, present, or future employment services,

b) If it represents payment for services that are subject to the direction or supervision of the grantor, or

c) If the studies or research are primarily for the benefit of the grantor.

If ***you are not a candidate for a degree your grant will not qualify unless*** it comes from one of the following:

a) A tax exempt U.S. corporation, community chest, foundation, or fund that operates exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involved the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals,

b) A foreign government,

c) An international organization, or a binational or multinational educational and cultural foundation or commission created or continued pursuant to the Mutual Educational and Cultural Exchange Act of 1961, or

d) The United States or its agencies, possessions; or a State, or any political subdivision thereof, or the District of Columbia.

3) I am a post-doctoral fellow at an American university and am paid to work on a specific research project that is financed by a grant from the Rockefeller Foundation. I am paid from the funds of that grant. The research work is subject to the direction and control of the university, in carrying out the terms of the contract. Am I receiving an excludable fellowship grant?

No. An amount received by an individual not a candidate for a degree does not qualify as an excludable grant merely because it was received from an educational or charitable organization, or one of the other sources mentioned in our answer to question 2. Since you are paid for working on a particular research project that is subject to the direction and control of the university, the amounts that you receive represent pay for services performed.

4) I am an exchange visitor and a resident doctor in a medical center hospital. As part of my training, I record case histories and perform physical examinations. I also carry out the treatment recommended by my supervisor. Are the amounts paid to me by the hospital excludable as a fellowship grant?

No. Since your activities are of material benefit to the hospital in providing medical care and treatment for its patients, the amounts that you receive are includible in your gross income as pay for services performed.

5) I am a candidate for a B.S. degree in education. I am attending the university tuition-free and I receive a cash stipend of $200 per month. The university requires all candidates for this degree to complete a program of practice-teaching. Under an agreement between the university and local board of education, the practice-teaching is done in classes in the local school system, under the supervision of a university proctor. The regular class teacher sits in the back of the room as an observer. Is my grant excludable from gross income?

Yes. The grant is paid so that you may go to school. The school system has not gained an employee, you are merely understudying the regular teacher on a part-time basis. Thus the stipend that you receive does not represent payment for services, and is excludable from your gross income in its entirety.

6) I am a candidate for the degree of Master of Arts in teaching at a university that requires all candidates for that degree to complete its teaching internship program. Students in this program receive 6 hours credit for teaching one semester in a local public school. To satisfy this requirement I will teach for one semester in a local elementary school, where I will receive the same supervision, and have the same teaching responsibilities as other beginning teachers. I also will be counseled and evaluated by a university proctor who visits the school periodically. The local Board of Education pays $300 per month. Is this amount excludable from my gross income as a scholarship or fellowship grant?

No. You are the Board of Education's teacher-employee for the class assigned to you. The amounts you receive represent payments for the performance of present employment services. Therefore, no portion of this amount is excludable from your gross income as a scholarship or a fellowship grant.

7) My grant satisfies the requirements for a qualifying grant that are described in question 2. What do I do now?

Read Section III to determine the taxable and exempt portions of your grant.

8) After considering the criteria of question 2, I decided that I am receiving payment for services and not a qualifying scholarship or fellowship grant. What do I do now?

Skip the rest of this section on scholarships and fellowship grants. Your income is taxable; but read sections V and VI, which contain advice about deductions, exemptions, and tax treaty benefits.

9) What evidence do I need that I meet the requirements for the fellowship exclusion?

You should have a statement from the grantor naming you as the recipient of the grant, and setting forth in detail the purpose of the grant, the amounts and nature of all payments to be made to you under the grant, and the requirements as to reporting to the grantor, type of activity to be performed by you, etc.

III. Know how your qualifying scholarship or fellowship grant is taxed.

1) I have a grant that qualifies under the conditions stated in question 2 of Section II. What other facts should I know?

You should know how much you receive under your grant for the following items:

a) Amount of basic grant _____

Value of contributed services and accommodations (like room and board, laundry, etc.) _____

Total _____

b) Any amount specifically designated to cover expenses for travel, research, clerical help, or equipment. _____

If you are a candidate for a degree, none of the amounts listed in (a) are taxable. The amounts listed in (b) are not taxable provided they are spent for the designated expense. If they are not so spent they are includible in your gross income.

If you are not a candidate for a degree, you may exclude the amounts listed in (a) up to $300 times the number of months you are under the grant during the taxable year, ***except*** that you may not exclude such amounts after you, as a non-degree candidate, have received excludable amounts for a period of 36 months (whether or not consecutive).

The amounts listed in (b) are not taxable provided they are spent for the designated expense, and provided that the expense is incident to an excludable grant. If they are not spent for a designated expense, they are includible in your gross income.

2) In 1973 I received a qualifying grant of $6,600 to finance my studies in the United States for 2 years. I was not a candidate for a degree, and I did not report this grant on a federal income tax return. On January 1, 1979, I received a qualifying grant from an American university to finance my studies at the university for 2 years. I am not a candidate for a degree. My grant consists of the following items:

(A) Basic grant	$12,000	$ 500	per mo.
(B) An allowance for clerical help	1,000	500	per year
Travel	3,000	1,500	per year
	$16,000		

I spent the allowances received under (B) in the year they were received. How much of my grant is includible in gross income in 1979 and how much is includible in 1980?

1979, $2,400 ($200 × 12); 1980, $8,000.

Your 36-month lifetime exclusion ended with the payments received in 1979.

Period	Number of Months	Amounts Received
1973 Grant	24 Mo.	$6,600
Exclusion (1973 & 1974) (24 × 275)		(6,600)
Inclusion in gross income		-0-
1979 Grant	12 Mo.	$6,000
Expense allowance		2,000
Allowance expenditure in re: excludable grant		(2,000)
Exclusion	(12 × 300)	(3,600)
Inclusion in gross income		$2,400
1980 Grant	12 Mo.	$6,000
Expense allowance		2,000
		$8,000
Exclusion		-0-
Inclusion in gross income		$8,000

3) How do I report the taxable portion of a scholarship or fellowship grant?

Report such income on Form 1040NR as income effectively connected with a business in the United States. It would help if you submitted with your Form 1040NR a statement showing how you figured taxable income as illustrated in question 2.

4) Is the taxable portion of my grant subject to withholding?

Yes. Your grantor should withhold income tax from the taxable portion of your grant. If there is any question about whether your income qualifies as a grant, withholding should be carried out to be on the safe side.

5) Are grants paid to nonresident aliens having "F" and "J" visas subject to social security taxes?

No. Such grants are not subject to social security taxes.

IV. Know how your income for services is taxed.

1) What tax return do I file?

Form 1040NR is the return to be filed by all nonresident aliens.

2) What information is reported on this return?

a) ***Gross income.*** Total income for services performed in the United States for the taxable

year, dividends, interest, or other types of income from sources in the United States as set forth in the *Instructions for Form 1040NR*. Also included are amounts received by a nonimmigrant participating in certain exchange and training programs in the U.S. under a "F" or "J" visa.

b) ***Deductions from gross income to arrive at adjusted gross income.***

Deductions incurred in the earning of income from sources within the United States, including travel and moving expenses, and other adjustments as explained in the instructions to Form 1040NR.

c) ***Deductions from adjusted gross income to arrive at tax table income.***

Subtract excess itemized deductions. This is total itemized deductions (such as contributions to U.S. educational and charitable organizations, casualty losses of property located in the United States, and state and local income taxes) less the zero bracket amount; or

Add unused zero bracket amount, if any. This is the zero bracket amount for applicable filing status, less total itemized deductions.

d) ***Tax computation.*** If you are eligible to use the tax tables, find your tax in the applicable tax table located in the *Instructions for Form 1040NR*. You do not deduct your personal exemption since it is incorporated in the tax tables. If you may not use the tax tables, you must determine your taxable income by subtracting allowable personal exemptions and compute your tax using the applicable tax rate schedule.

e) ***Credits.*** Tax withheld and/or paid for the taxable year.

f) ***Balance of tax to be paid or overpayment of tax.***

Excess of tax found in (d) over (e) or excess of (e) over tax found in (d).

3) Are nonimmigrants with F-1 and J-1 visas required to pay social security taxes on their compensation earned in the United States?

No. If the services are performed to carry out the purpose for which the nonresident aliens with F-1 or J-1 visas were admitted to the United States, no social security taxes should be deducted from their wages.

V. Know what expenses are deductible.

1) What expenses can I deduct for my spouse and family who are living with me in the United States?

None. Your expenses may be deductible as business expenses, but those of your spouse and family are considered nondeductible personal expenses.

2) How do I find the deductible portion of amounts spent for meals and lodging for myself and family living with me in the United States?

Any reasonable method may be used to figure your deductible share of such expenses. The simplest method is to prorate the expenses based on the number of persons in the household.

3) What records am I required to keep to substantiate travel expenses?

You should keep receipts and cancelled checks for hotel bills, rent, etc., and maintain a daily record in the form of an account book or diary of expenses for which receipts are not ordinarily obtained, such as meals and local fares, with sufficient detail to show the date, place and type of expense. These records should be retained for 3 years from the date you file your return in the event the Internal Revenue Service requests substantiation of your deductions.

4) I am an exchange visitor who earned $10,000 in the United States last year, of which $5,000 is exempt from U.S. tax under a treaty provision. Can I deduct travel expenses from the $5,000 taxable portion of my salary?

Assuming you meet the requirements for deducting travel expenses, the amount to be deducted is limited to the portion attributable to taxable salary computed at the ratio of your taxable U.S. salary to your total U.S. salary. Since your taxable salary is 50% of your total salary, you would be entitled to deduct 50% of your travel expenses for the year.

5) I have an informal agreement with my former employer in my home country to return to my old job after I complete my program working in the same field in the United States under the Exchange Visitor Program. Must I have a written agreement from my former employer showing I am on leave of absence while working in the United States in order to deduct my travel expenses?

No. You do not necessarily have to be on formal leave of absence so long as you have established a place of business or "tax home" by being employed on a regular basis in your home country before coming to the United States, and are only temporarily away from that tax home.

6) If I do not return directly to my former place of employment in my home country when I leave the United States, but travel elsewhere for a few weeks before returning home to resume work, will this vacation travel disqualify me from deducting my travel expenses in the United States? Also, may I deduct any of my transportation expenses for the return trip under these circumstances?

The mere fact that you do not return directly home will not disqualify you from deducting your travel expenses. If you qualify for the deduction of travel expenses, you may deduct an amount equal to the cost of traveling directly from your temporary place of employment in the United States to your regular place of employment abroad even though you do not return directly home.

7) If I return to my home country in December of this year but charge my air ticket and do not pay for it until next year, may I deduct this expense on my U.S. return for this year?

No. You may deduct travel expenses only in the year they are paid. If you do not pay for your air ticket until next year, when you will have no income for U.S. tax purposes, you will not be able to claim this deduction. However, you may request permission from the Internal Revenue Service to change your method of reporting your income and deductions on your tax return, from the cash basis to the accrual method. In this manner you will be able to claim a deduction for the cost of the airplane ticket in the year it was charged (when the liability to pay for the ticket was incurred).

8) I am an exchange visitor classified as a nonresident alien. May I deduct on Form 1040NR medical expenses incurred while working in the United States?

No. Medical expenses are a personal type of expense and are not deductible by nonresident aliens. Except for contributions to U.S. organizations and casualty losses of property located in the United States, a nonresident alien may deduct only expenses which are connected with income which is effectively connected with the conduct of a trade or business in the United States, including state and local income taxes.

9) As a nonresident alien working in the United States, may I deduct on Form 1040NR sales taxes and interest on a personal loan? A friend of mine who is a U.S. citizen deducts these expenses on Form 1040.

No. A U.S. citizen is entitled to deduct certain expenses of a personal nature, such as sales taxes on personal purchases, interest on personal loans and home mortgages, etc., by reason of special provisions of the law. Nonresident aliens, however, are taxable only on their income from sources in the United States and for that reason the law limits their deductions, except for contributions and casualty losses, to those connected with the production of their income from U.S. sources, including state and local income taxes.

10) Where can I get advice if I find it hard to fill out Form 1040NR?

Contact the local office of the Internal Revenue Service located nearest to you. Or, you may write to the Director of International Operations, Internal Revenue Service, Washington, D.C. 20225.

VI. Know whether you qualify for benefits under a tax treaty.

1) How do I find out if I am eligible for a tax treaty benefit?

You must examine the pertinent treaty to make the determination as to whether you satisfy all the requirements of its provisions.

2) With which countries does the United States have tax treaties?

Australia	*Seychelles
Austria	*Sierra Leone
*Barbados	South Africa
Belgium	Sweden
**Burundi	Switzerland
Canada	Trinidad & Tobago
Denmark	Union of Soviet Socialist Republics
Finland	United Kingdom
France	**Zaire
*Gambia	*Zambia
Germany	
Greece	
*Grenada	
Hungary	
Iceland	
Ireland	
Italy	U.K. Territories of:
*Jamaica	*Antigua
Japan	*Belize
Korea	*Dominica
Luxembourg	*Falkland Islands
*Malawi	*Montserrat
Netherlands	*St. Christopher
Netherlands Antilles	*Nevis
New Zealand	*Anguilla
Norway	*St. Lucia
Pakistan	*St. Vincent
Poland	*U.K. Virgin Islands
Romania	
**Rwanda	

*See the former United Kingdom treaty proclaimed by the President of the United States on July 30, 1946, as it was in effect prior to the Supplementary Protocol of September 9, 1966.

**See former Belgium treaty proclaimed by the President of the United States on September 23, 1953.

3) I am not a citizen or resident of one of the tax treaty countries listed. Am I entitled to any tax treaty benefit?

No. This section on tax treaty benefits does not apply to you.

4) What are the general types of tax treaty provisions that may apply to a visiting scholar who is from a country with which the United States has a tax treaty?

Type I. Short period in U.S. during tax year. Nonresident aliens from tax treaty countries may be exempt from tax on wages earned in the United States if they were present in the United States for a short period during the tax year. The short period varies from 90 to 183 days. The exact conditions are stated in the particular treaty provision.

Type II. Professors, Teachers, and Researchers. Nonresident aliens who are residents of treaty countries and who temporarily visit the United States for the purpose of teaching or researching or both at a university, college, school, or other educational institution for a period not exceeding 2 years, generally, are not subject to U.S. tax on the pay received for teaching during that period. Some treaties contain an additional requirement—that the teacher or professor be engaged in such teaching or researching, or both in accordance with:

a) An agreement between the United States and the treaty country involved, or

b) An agreement for the exchange of professors and teachers between an educational institution in the United States and an educational institution in the treaty country, or

c) An invitation of the U.S. Government.

Type III. Students, Apprentices, and Trainees. Students, apprentices, and trainees, generally, are exempt from tax on payments received from abroad for study and maintenance. Also, under certain circumstances, a limited amount of pay received by students, trainees, and apprentices may be exempt from tax. Some treaties provide for the exemption of grants, allowances, and awards received from certain nonprofit organizations of a foreign country. The exemption does not apply if the amounts actually represent payment for services.

5) Suppose I am not sure that I meet the requirements for exemption under a tax treaty provision. What do I do then?

Write to the Director of International Operations, Internal Revenue Service, Washington, D.C. 20225. In your letter give information about your nationality, your permanent place of residence, your visa, your employer, your scholarship grant, dates of arrival and departure, your intentions about remaining in the United States, and other pertinent information.

6) If all my U.S. income is exempt under a tax treaty provision, what do I do?

You have no U.S. tax to pay and if you were not engaged in a U.S. trade or business, you do not have to file the annual federal tax return. However, if tax has been withheld from your wages, you will have to file a tax return (Form 1040NR) to obtain a refund of that tax. All aliens who have derived U.S. income are required to appear at a tax office just before their departure from the United States to get a sail ing permit. Those who thought they were exempt but really were not will have to file tax returns and pay all tax due at that time.

7) What do I do if I do not qualify for the exemption of income under a tax treaty article or as a scholarship or fellowship grant?

Make sure that your employer or grantor is withholding tax from your income. You will have to file the annual U.S. federal tax return (Form 1040NR) and pay any tax that may be due. However, if the tax withheld is greater than the tax liability, the excess will be refunded to you.

8) How can I get some idea of the benefits and requirements stated in the tax treaty articles?

Many of the treaty provisions were explained earlier in this publication. In addition, the following questions and answers may cover the tax treaty provision that applies in your case.

9) I am a nonresident alien who resides in Rome, Italy. During 1980, I was in the United States for a total of 83 days and earned $3,400 as an employee of the Chicago Engineering Co. The provision of the United States—Italy tax treaty regarding personal service income provides exemption from U.S. tax if:

a) I am not in the United States more than 90 days during the tax year, and

b) My pay does not exceed $2,000.

Since my income does exceed $2,000, do I fail to qualify for exemption, or may I offset my $3,400 income by the $2,000 exemption?

Your entire income of $3,400 is subject to tax and the exemption does not apply. ***All*** the requirements must be satisfied before a tax treaty provision applies.

10) I am an exchange visitor with a "J" visa and I reside in Canada. During 1980 I was present in the United States for less than 183 days. I had a U.S. employer and was paid $4,990 for services rendered in the United States that year. Is the $4,990 taxable by the United States?

No. It is exempt because the requirements of the treaty with Canada have been satisfied.

11) Assume the same situation as in question 10, except that I made $5,010 during 1980. Would the $5,010 be taxable by the United States?

Yes. The treaty requirements are not satisfied if the taxpayer has a U.S. employer and earns over $5,000. In this case the entire $5,010 is taxable.

12) Assume the same situation as in question 10 except that I have a Canadian employer and earn $5,010. Would the $5,010 be taxable by the United States?

No. The treaty requirements are satisfied because there is no ceiling to the amount that may be exempt in the case of a Canadian employer. The entire $5,010 is exempt.

13) I am a research scholar from Austria, and received an allowance of $2,000 last year from a university in Austria, from which I am on leave of absence while in the United States, to cover my expenses for board and lodging. In addition, I received a $1,000 tuition allowance that I used to pay for a course at a U.S. university. Also, the U.S. university paid me a salary of $3,500 for research work performed during the 8 months I was in the United States. Which amounts do I have to report on my U.S. tax return?

Both the $2,000 and the $1,000 allowances from the Austrian university are exempt from U.S. tax as amounts received for your maintenance, education, or training. The $3,500 salary from the university in the United States must be reported as taxable income on your U.S. tax return, Form 1040NR, since there is no provision under the Austrian treaty that would exempt your salary from U.S. tax.

14) I am a resident of Denmark and was paid $4,000 by my U.S. employer for the 4-month period I worked in the United States last year. Is this income exempt from U.S. tax?

No. The treaty requires that a Dane be here for not more than 90 days and be paid not more than $3,000 during the tax year. You did not satisfy either requirement.

15) I have a "J" visa and I am a resident of Greece. During 1980 I was in the United States a total of 183 days. My U.S. employer paid me $11,000. Since I am still on the pay-

roll of my Greek employer, and was paid 22,000 drachmas, which were deposited in a bank in Athens, do I have any U.S. tax liability for the year 1980?

The income of 22,000 drachmas is exempt from U.S. tax under the United States-Greece tax treaty.

The income of $11,000 is taxable because it is paid by a non-Greek employer and exceeds $10,000.

16) I am a nonresident alien in the United States and a resident of Japan. My U.S. employer paid me $2,500 during 1980 for services rendered in the United States. I was here from May 1 to November 15, 1980 (199 days). Do I qualify for an exemption under the treaty?

No. You do not qualify for the exemption of income because you were here for a total of 199 days, which exceeds the 183 days allowed by the treaty.

17) I have a "J" visa and I am a resident of the Netherlands. I received $5,000 from my U.S. employer while working in the United States from March 4 to August 31, 1980, which totals 181 days. Are any tax treaty benefits applicable?

None at all. Your income is taxable. The personal service income provision of the Netherlands-United States treaty does not apply if you have a U.S. employer.

18) I am an exchange teacher from Germany with a "J" visa. Is there a provision of the income tax convention with Germany under which my salary for teaching in the United States is exempt from U.S. tax?

Yes. The German convention, in common with most other tax conventions, exempts from U.S. tax the salary earned by professors and teachers from one country who visit the other country to teach for a period not exceeding 2 years.

19) I am an exchange teacher from the United Kingdom. The U.S. school is withholding income tax from my income, but I was told when I came to this country that my teacher's pay would be exempt from U.S. tax under the United States—United Kingdom tax treaty. How can I get the school to stop withholding tax?

You may submit a statement to the school setting forth all the necessary information showing that you qualify for the exemption. The school may then stop withholding and refund the tax previously withheld if the amount had not been paid over to the U.S. Government. If the school does not stop withholding, or the amount was paid to the U.S. Government, you may apply for a refund on your income tax return, Form 1040NR, indicating on that return that your income is exempt from tax and the basis for the exemption.

20) I am an exchange visitor from Ireland, who came to the United States to work as a research assistant at a university. After 6 months I became an instructor at the university. Is my pay as an instructor exempt from U.S. tax under the tax convention with Ireland?

Yes. You meet the requirements under the United States-Ireland tax treaty since your visit to the United States is for the primary purpose of teaching.

21) I am an exchange student from the Netherlands and have been teaching part time at a university. Are my earnings as a teacher exempt under the United States—Netherlands tax treaty?

Your earnings would not be exempt under the provision of the United States—Netherlands tax treaty, as amended, which requires that teachers resident in the Netherlands be invited by the U.S. Government or by a university or other recognized educational institution situated in the United States to visit the United States for the ***primary purpose*** of teaching or engaging in research or both at a university or other recognized educational institution.

However, your earnings, not in excess of $2,000, are exempt under a provision of the Treaty that allows a resident of the Netherlands, who is temporarily in the United States for the ***primary purpose*** of studying at a recognized educational institution, to exempt income from personal services not in excess of $2,000 for any tax year.

22) I am an exchange research assistant from Sweden. I have been told my earnings are exempt under the Swedish treaty. My fellow worker from Switzerland, however, says the exemption applies only to teaching.

Your co-worker is right with respect to the treaty with Switzerland and most other countries. The treaty with Sweden, however, exempts pay for teaching or research, or both.

23) I was a research worker in Germany before coming to the United States as an exchange teacher for 2 years. Am I disqualified from the German treaty benefits because I am not a teacher in Germany?

No. Your employment status in Germany is not important. If you came for the purpose of teaching, the United States—Germany tax treaty applies.

24) I am an exchange teacher from Denmark who expects to teach for 2 years. However, I am required to do some research work incident to my teaching. Do I have to pay U.S. tax on the portion of my pay received for such research work?

No. Since the major portion of your time is devoted to teaching duties, your entire wages are exempt under the United States-Denmark tax treaty. No prorating of earnings is permitted for the exemption under the treaties.

25) I am an exchange teacher from Belgium who taught in the United States for 2 years, then returned to Belgium for a full year before coming back to the United States to teach again. Did I start a new qualifying period of 2 years when I came back to the United States?

Yes. After an absence of a full year from the United States, you are entitled to another exemption period of 2 years from the date you reentered the United States. Absences of less than one year do not, however, entitle a teacher to start a new period of exemption.

26) I came to the United States to teach for one school year, but was given a permanent type visa by the U.S. Embassy. Am I a resident alien even though I don't intend to establish residence in the United States?

No. The presumption that you are a resident alien because of your permanent visa can be rebutted by the facts in your case showing that you never intended to become a resident alien. As a nonresident alien you may claim tax treaty benefits.

27) I was awarded a fellowship by a German nonprofit organization to engage in research work of my own choosing at a university in the United States. I was told such grants are tax exempt under the tax treaty with Germany. Since I am not a candidate for a degree, does the $300 per month limitation apply?

No. There is no limitation on the amount of a grant that is awarded by a nonprofit organization as it does not represent payment for personal services. The full exemption of the treaty takes precedence over the $300 exemption limitation explained in Section III.

28) I am a resident of Norway who was present in the United States from October 1, 1979, to December 29, 1980. I was in the U.S. for 92 days in 1979 and 364 days in 1980. The personal service income provision of the Norway—United States treaty requires less than 183 days in the United States within a taxable year. Does that mean I satisfy the time requirement for 1979 but not for 1980?

Yes. It is possible for you to claim the exemption for 1979, but not for 1980. If you were a public entertainer, you would not qualify for either year because the treaty limits the exemption to a stay of not more than 90 days.

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